KAWAN FOOD BERHAD

2017

KAWAN Food Berhad Annual Report

640445-V (Incorporated in Malaysia)

In togetherness, we grow


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Kawan F
8
7
6
5
4
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Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of Kawan Food Berhad will be held at Topas Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Thursday, 31 May 2018 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. *Please refer to Note 1 of the Explanatory Notes*

2. To approve the Directors' fees and benefits payable to the Directors of the Company of up to RM1 million for the financial year ending 31 December 2018. *Ordinary Resolution 1*

3. To re-elect the following Directors who are retiring under Article 80 of the Articles of Association of the Company:

   (i) Mr Gan Thiam Hock *Ordinary Resolution 2*

   (ii) Mr Lim Peng @ Lim Pang Tun *Ordinary Resolution 3*

   Mr Chen Seng Chong who retires pursuant to Article 80 of the Articles of Association of the Company and has expressed his intention not to seek re-election.

4. To re-appoint Messrs Cheng & Co as Auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 4*

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:

5. Retention of Mr Lim Peng @ Lim Pang Tun as Independent Non-Executive Director of the Company.

   "**THAT** approval be and is hereby given to Mr Lim Peng @ Lim Pang Tun who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." *Ordinary Resolution 5*

6. Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited ("Proposed Renewal of Shareholders' Mandate").

   "**THAT** approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with Shana Foods Limited and Rubicon Food Products Limited as stated in Section 2.4 of the Circular to Shareholders dated 30 April 2018 which are necessary for the Company's day-to-day operations subject further to the following:

(i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

(ii) the approval is subject to annual renewal and shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed Renewal of Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

(iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate in the Annual Report of the Company based on the following information:

(a) the type of Recurrent Transactions entered into; and

(b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit." *Ordinary Resolution 6*

7. Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with K.C. Belight Food Industry (M) Sdn Bhd, Food Valley Sdn Bhd, Hot & Roll Sdn Bhd and MH Delight Sdn Bhd ("Proposed Renewal of Shareholders' Mandate").

"**THAT** approval be and is hereby given to the Company, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as " Recurrent Transactions") with K.C. Belight Food Industry (M) Sdn Bhd, Food Valley Sdn Bhd, Hot & Roll Sdn Bhd and MH Delight Sdn Bhd as stated in Section 2.4 of the Circular to Shareholders dated 30 April 2018 which are necessary for the Company's day-to-day operations subject further to the following:

(i) the Recurrent Transactions contemplated are in the ordinary course of business and on terms which are not more favourable to related parties than those generally available to the public, and are not to the detriment of the minority shareholders;

(ii) the approval is subject to annual renewal and shall only continue to be in force until:

(a) the conclusion of the next Annual General Meeting of the Company following the forthcoming Annual General Meeting of the Company at which the Proposed Renewal of Shareholders' Mandate is approved, at which time it will lapse unless by a resolution passed at the Annual General Meeting the mandate is again renewed;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act, 2016); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier; and

(iii) the disclosure of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate in the Annual Report of the Company based on the following information:

(a) the type of Recurrent Transactions entered into; and

(b) the names of the related parties involved in each type of the Recurrent Transactions entered into and their relationship with the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, deem fit." *Ordinary Resolution 7*

8. Authority under Section 76 of the Companies Act, 2016 for the Directors to allot and issue shares.

"**THAT** pursuant to Section 76 of the Companies Act, 2016, the Directors be and are hereby authorised to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue." *Ordinary Resolution 8*

9. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
TAI YUEN LING (LS 0008513)
Company Secretaries
30 April 2018

Notes:-

1. *A member entitled to attend and vote at the meeting is entitled to appoint more than one (1) proxy to attend, participate, speak and vote in his/her stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
3. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
4. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.*
5. *Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of any general meeting will be put to vote by poll.*
6. *If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.*
7. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 22 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.*

Notice of Annual General Meeting | *continued*

Explanatory Notes:

1. **To receive the Audited Financial Statements**
   Agenda item no. 1 is meant for discussion only as the provision of Section 340 of the Companies Act, 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is ***not put forward for voting.***

2. **Ordinary Resolution 5 – Retention of Mr Lim Peng @ Lim Pang Tun as Independent Non-Executive Director**
   Mr Lim Peng @ Lim Pang Tun was appointed as an Independent Director on 16 May 2005. Mr Lim Peng @ Lim Pang Tun has served the Company for more than twelve (12) years as at the date of the notice of this Annual General Meeting. However, Mr Lim Peng @ Lim Pang Tun has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board recommends Mr Lim Peng @ Lim Pang Tun to remain as an Independent Director of the Company based on the following justifications:-

   a. *he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and therefore was able to bring independent and objective judgment to the Board's deliberation;*

   b. *his experience enable him to provide the Board with a diverse set of experience, expertise, skills and competence;*

   c. *he has been with the Company for long and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Remuneration Committee, Nomination Committee, Audit Committee and Board meetings;*

   d. *he has contributed sufficient time and efforts and attended all the Remuneration Committee, Nomination Committee, Audit Committee and Board meetings for informed and balanced decision making; and*

   e. *he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.*

3. **Ordinary Resolutions 6 and 7 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**
   The Ordinary Resolutions 6 and 7 proposed, if passed, will empower the Directors from the date of the Fourteenth Annual General Meeting, to deal with the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for the Company's day-to-day operations. These recurrent related party transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders. This authority unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company and subject always to provision (ii) of the resolution. The details of the recurrent related party transactions are set out in the Circular to the Shareholders dated 30 April 2018, which is dispatched together with this Annual Report.

4. **Ordinary Resolution 8 – Authority under Section 76 of the Companies Act, 2016 for the Directors to allot and issue shares**
   The Ordinary Resolution 8 proposed under item 8 of the Agenda seeks the shareholders' approval of a general mandate for issuance of shares by the Company under Section 76 of the Companies Act, 2016. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for purpose of funding the working capital or strategic development of the Group. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

   At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

   The Company did not allot and issue any shares pursuant to the general mandate granted by the shareholders at the previous Annual General Meeting.

Personal data privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.


Corporate Information

BOARD OF DIRECTORS

GAN THIAM CHAI
Executive Chairman

TIMOTHY TAN HENG HAN
Managing Director

GAN THIAM HOCK
Non-Independent
Executive Director

KWAN SOK KAY
Non-Independent
Executive Director

LIM HUN SOON @ DAVID LIM
Independent
Non-Executive Director

CHEN SENG CHONG
Senior Independent
Non-Executive Director

LIM PENG @ LIM PANG TUN
Independent
Non-Executive Director

DR NIK ISMAIL BIN NIK DAUD
Independent
Non-Executive Director

NARESHCHANDRA GORDHANDAS NAGRECHA
Non-Independent
Non-Executive Director

ABDUL RAZAK BIN SHAKOR
Non-Independent
Non-Executive Director

AUDIT COMMITTEE

LIM HUN SOON @ DAVID LIM
Chairman

LIM PENG @ LIM PANG TUN
Member

CHEN SENG CHONG
Member

REMUNERATION COMMITTEE

DR NIK ISMAIL BIN NIK DAUD
Chairman

LIM PENG @ LIM PANG TUN
Member

CHEN SENG CHONG
Member

LIM HUN SOON @ DAVID LIM
Member

NOMINATION COMMITTEE

LIM PENG @ LIM PANG TUN
Chairman

CHEN SENG CHONG
Member

NARESHCHANDRA GORDHANDAS NAGRECHA
Member

REGISTERED OFFICE

BOARDROOM CORPORATE SERVICES (KL) SDN. BHD.
(3775-X)
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7720 1188
F +603 7720 1111

SHARE REGISTRAR

SYMPHONY SHARE REGISTRARS SDN. BHD.
(378993-D)
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T +603 7841 8000
F +603 7841 8008

MANAGEMENT OFFICE

Lot 20, Jalan Pengapit 15/19
40200 Shah Alam
Selangor Darul Ehsan, Malaysia
T +603 5511 8388
F +603 5511 6288
E info@kawanfood.com

SECRETARIES

TAI YIT CHAN (MAICSA 7009143)
TAI YUEN LING (LS 0008513)

AUDITORS

CHENG & CO (AF0886)
No. 8-2 & 10-2
Jalan 2/114
Kuchai Business Centre
Off Jalan Kuchai Lama
58200 Kuala Lumpur, Malaysia
T +603 7984 8988
F +603 7984 4402

PRINCIPAL BANKERS

HSBC BANK MALAYSIA BERHAD
(Company No. 127776-V)

MALAYAN BANKING BERHAD
(Company No. 3813-K)

RHB BANK BERHAD
(Company No. 6171-M)

UNITED OVERSEAS BANK (MALAYSIA) BHD
(Company No. 271809-K)

STOCK EXCHANGE LISTING

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD
Stock Short Name: KAWAN
Stock Code: 7216

WEBSITE

www.kawanfood.com


Kawan
PARATHA
Net weight
Keep frozen at
-0.4°F/-18°C

At a Glance

EMPLOYEES
499
2016: 505

MANUFACTURING FACILITIES
3
2016: 3

COUNTRIES
35
2016:30

REVENUE
RM196.3 MILLION
2016: RM186.9 million

PROFIT BEFORE TAX
RM36.1 MILLION
2016: RM41.5 million

PROFIT AFTER TAX
RM29.1 MILLION
2016: RM33.0 million

NET ASSETS PER SHARE
RM0.86
2016: RM1.08

EARNINGS PER SHARE
8.10 SEN
2016: *9.17 sen (restated)

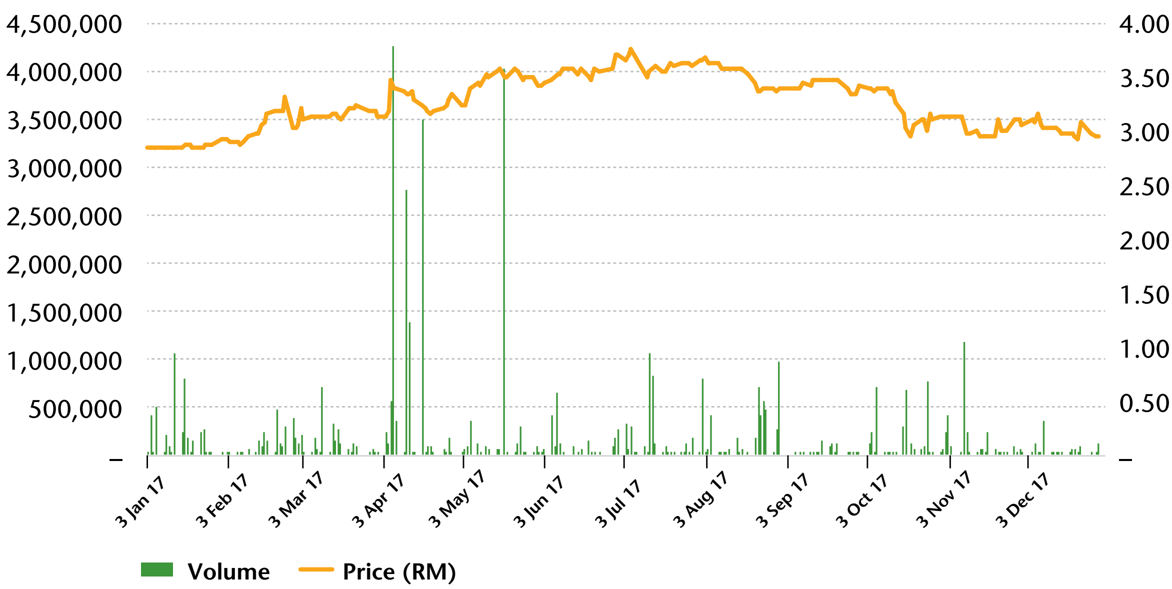
DIVIDEND PER SHARE
2.5 SEN
2016: 6.0 sen

SHARE PRICE
RM2.94
2016: RM3.80

MARKET CAPITALISATION
RM1,057.0 MILLION
2016: RM1,024.6 million

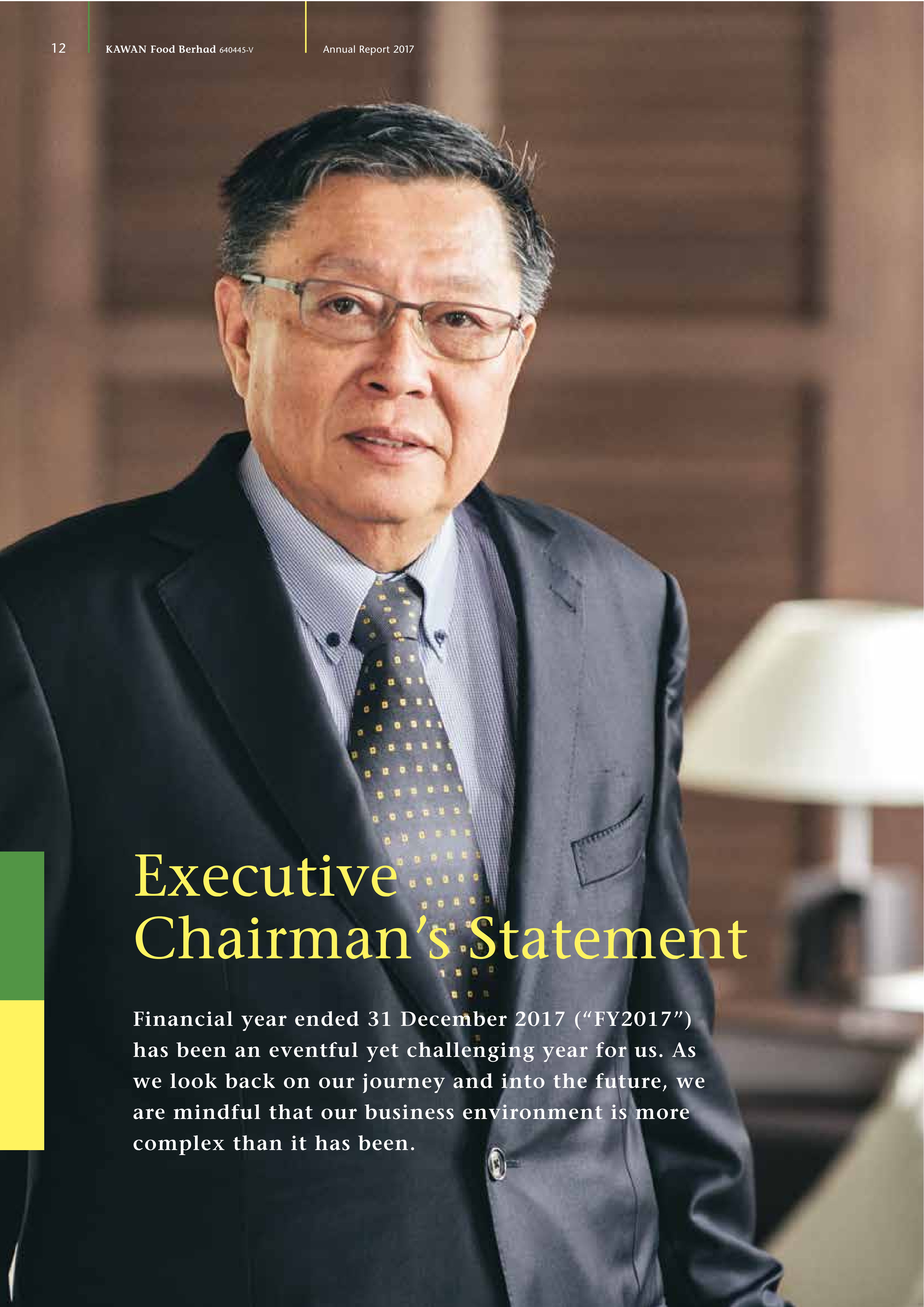
** Basic earnings per share for FY2016 had been adjusted due to adjustment made for bonus issue.*

SHARE PRICE PERFORMANCE



OUR FOOTPRINT

OUR BRANDS



Executive Chairman's Statement

Financial year ended 31 December 2017 ("FY2017") has been an eventful yet challenging year for us. As we look back on our journey and into the future, we are mindful that our business environment is more complex than it has been.

The trend in food industry is changing as consumer preferences and taste change. Consumers today are seeking value for money and choosing fresh and quality convenience food to suit their changing lifestyles. Today, we operate in a challenging environment with varying macroeconomic conditions, intense price competition, new competitors and higher input costs. The Group has positioned itself to meet the demands of the changing lifestyle, offering affordable, innovative lifestyle products for our consumers.

Our revenue for FY2017 increased by 5% to RM196.3 million. This was primarily driven by a larger customer base. However, profit before tax decreased by 13.2% to RM36.1 million mainly due to higher input costs and foreign exchange losses against gains in the previous year. Nevertheless, we will continue to strengthen our position in high growth categories, broaden our reach across sales channels and enhance our operational efficiencies.

We believe that our success is due to the strategies and strong values that characterise Kawan Group, making products that consumers love, building close relationships with our customers and suppliers, and investing in state-of-the-art manufacturing facilities and, above all, in our people.

Our people are the key to our success. This year, we are enhancing the communication and teamwork between employees through an employee engagement programme to guide them to better understand the goals of the company.

Corporate Responsibility and Sustainability

We believe that as we grow, we should conduct our business in a responsible manner by creating values for our stakeholders and contributing to the community in which we operate. Such action, we believe, will be valuable in our goal of ensuring sustainability for our business.

In FY2017, our sport and social club organised fun-filled activities and key events in the workplace to bring our people together. Within the community, our employees continue to volunteer in corporate social responsibility activities, ranging from organising fun activities for under-priviledged people, collaborating with Food Aid Foundation to celebrate Raya with orphanages, to visits to orphanages and fund-raising.

Corporate Governance

Corporate governance and related practices have always received close attention of the Board. We have managed our business in a responsible manner, recognising that good corporate governance is essential to the sustainable performance of the Group.

In line with the updating of the Malaysian Code on Corporate Governance in 2017, we are taking steps to streamline our practices where appropriate, in particular, the emphasis on the Board's responsibility for providing leadership for sustainable long term success. I am also mindful of my responsibility as the Chairman to lead the Board and to ensure its effectiveness as a whole.

We will continue our efforts in evaluating our governance practices in response to evolving best practices and the needs of the Group.

Our Future

Our new state-of-the-art manufacturing facility which will be in operational in FY2018 will mark a new era for the Group in expanding our product range by bringing higher quality, enhanced and new attractive products to our customers and serve as our new headquarters.

Since the beginning, we have built a strong reputation as the industry leader in product development and technology innovation in addition to quality excellence. We will continue to leverage on these strengths to develop new recipes and exciting new products and will use the new facility with its latest technologies and capacities to launch a range of new generation products.

In the near term, market conditions will remain challenging. Nevertheless, we will continue to build new capabilities and capacities quickly in this rapidly changing market as we evolve.

Appreciation

We are sad to note that Mr Chen Seng Chong ("Mr Chen") who was appointed as a Senior Independent Director will retire from the Board at the end of the Annual General Meeting. On behalf of the Board, I would like to thank Mr Chen for his dedicated service to the Group since May 2005. The Board wishes Mr Chen well for the future.

In closing, I would like to thank my fellow Board members for their valuable guidance and contribution to the Group. To all our employees, we would like to thank you for your hard work and dedication. We would also like to extend our gratitude to all our shareholders, customers, suppliers, business partners and stockists for your continued trust and support in FY2017.

We will continue to work hard to bring greater value to all our stakeholders and look forward to your continuing support and commitment in the years ahead.

GAN THIAM CHAI
Executive Chairman

Group Corporate Structure

KAWAN FOOD (NANTONG) CO., LTD.
Manufacturing and sales of frozen food delicacies
100%

HOT AND GO MANAGEMENT SDN. BHD.
Operators and proprietors of café, bistro and restaurant
50%

KG PASTRY MARKETING SDN. BHD.
Investment property and rental of trucks
100%

KAWAN FOOD (HONG KONG) LIMITED
Trading and distribution of frozen food products
100%

KAWAN FOOD CONFECTIONERY SDN. BHD.
Investment holding
100%

KAWAN FOOD BERHAD
Investment holding

KAWAN FOOD MANUFACTURING SDN. BHD.
Manufacturing and sales of frozen food products
100%

DIKAWANI FOODS SDN. BHD.
(In voluntary strike off)
51%

Management Discussion and Analysis

OPERATIONAL REVIEW

In the late 1990s, we became a producer of paratha in Malaysia and had an early leadership position in the market in Malaysia and many other countries. Currently, we are a leading supplier of frozen ethnic food with main product categories such as bakery, bun, chapatti, dessert, finger food, frozen vegetable, paratha and spring roll pastry. Our portfolio of frozen products has grown over the years and now extends to ready to eat ("RTE") frozen products. Paratha remains our core product of our business which accounts for approximately 44.1% of our Group's sales.

We currently own and operate three (3) manufacturing facilities, of which two are located in Shah Alam, Malaysia and one is located in Nantong, China.

The Company produced food products under Kawan, KG Pastry, Veat, PassionBake and Aman brands. In FY2017, our key brands, Kawan accounted for 50.5% of our total revenue. The Company also produces products under customers' brands.

In FY2017, the Company have launched innovative products to meet the changing lifestyles of consumers such as Chocolate Paratha, Aloo Mini Paratha, Hazelnut Chocolate Mini Paratha, Multigrain Mantou, RTEs (nasi kapitan ayam, spaghetti goreng mamak etc.) and onigiri (sambal ikan bilis, nasi lemak sambal ikan bilis, tuna mayo, chicken floss original & spicy etc.).

The Company sell its products in both local and export markets. In FY2017, the export market accounted for approximately 61.1% whilst the Malaysia market accounted for approximately 38.9% our Group's total revenue.

Export Market

The Company distributed its products through distributors in foreign countries. Most of our international customers are primarily traditional retailers whereas in the Middle East and Asia, our customers are primarily a mixture of hypermarkets, supermarkets and traditional retailers.

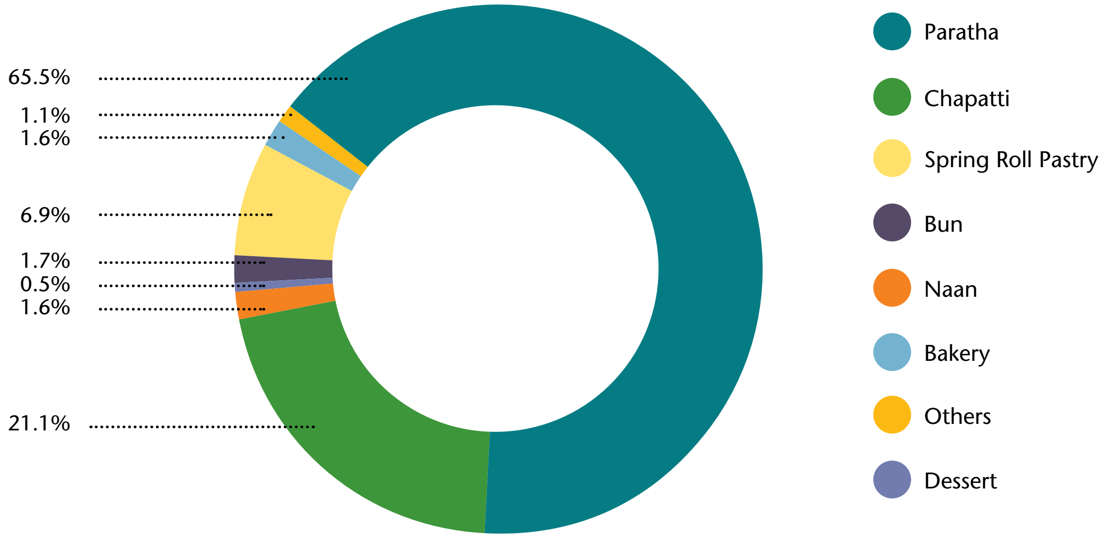
At present, the Company exports its products in all major continents particularly to countries such as US, Canada, UK, France, Australia and United Arab Emirates ("UAE"). The US remains our largest export market which contributed approximately 43.6% of our total export revenue.

The sales team is responsible for business development, conducting market activities to promote our products as well as to keep abreast with the recent market trends and customer preferences.

In February and October 2017, we participated in the Gulfood Exhibition in Dubai, UAE and Anuga Food Show in Germany respectively. The Gulfood Exhibition is the world's largest annual food event and the Anuga Food Show is the largest trade fair in the world. The participation provides us with opportunities to meet existing and new potential customers as well as to keep abreast with market demand and trends.

The sales team travels to various export markets to promote our products and to widen our distribution network as well as to maintain good relationship with our key distributors. We constantly work closely with our customers to engage with local tastes and customs so that our brands remain relevant and innovative to consumers. For example, in France, we have successfully launched new products, namely cheese naan and mini paratha to cater to the local preferences and consumer tastes.

Export Sales Contribution



In FY2017, sales revenue from export increased by 2.8% to RM120.0 million in FY2017 from RM116.7 million in FY2016 mainly due to increase in orders from our customers in Asia and introduction of new innovative products to the Europe market.

Paratha remains our core product, contributing approximately 65.5% of our export revenue, followed by chapatti contributing approximately 21.1% of our export revenue for FY2017.

Malaysia Operation

The Company distributed its products through various distribution channels, including traditional retailers, hypermarkets, supermarkets, HORECA (hotels, restaurants, caterers) and food service.

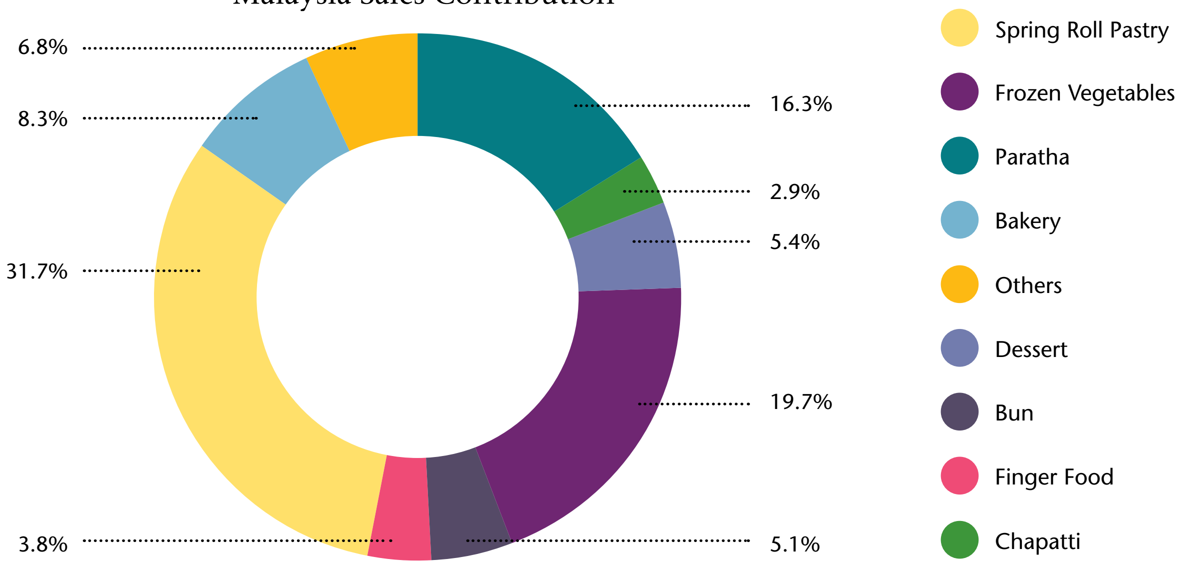
Our sales office in Shah Alam is responsible for local sales throughout Malaysia. The sales team ensures that we have a comprehensive coverage of all our markets and constantly reviews the presence and monitors the impact of the channels in each of our geographic markets.

During the financial year, we substantially increased our marketing investment to further enhance our brand awareness. In FY2017, the Company had implemented its marketing strategies as follows:

- Our sales team continued to expand our market presence and develop new business opportunities by conducting ground activities and product samplings at various hypermarkets and supermarkets.
- During the Hari Raya Aidilfitri, the Winter Solstice and the Chinese New Year 2017, we launched social media campaigns to coincide with ethnic festivals.
- In September 2017, we sponsored an international television game show franchise, "I Can See Your Voice Singing" competition for a season which was broadcast with our logos and products on as well as collaborated with a local online radio station on ground activities which provided us opportunities to interact with our consumers.
- To demonstrate Kawan's appreciation to our customers loyalty, we launched our Kawan 100k Fans Contest where we gave away RM10,000 worth of prizes to lucky winners between October to December 2017.
- Between October and November 2017, we also launched a Jom Cuti Bersama Kawan Contest in selected hypermarkets where we gave away holiday packages for the winners and their families to promote family values.

Management Discussion and Analysis | *continued*

Malaysia Sales Contribution



Despite weaker consumer sentiment, our local sales increased by 8.6% to RM76.3 million. The increase in revenue was mainly contributed by the increase in revenue from our spring roll pastry, frozen vegetables and paratha categories. The key factor affecting our revenue growth is retaining existing customers and gaining new customers.

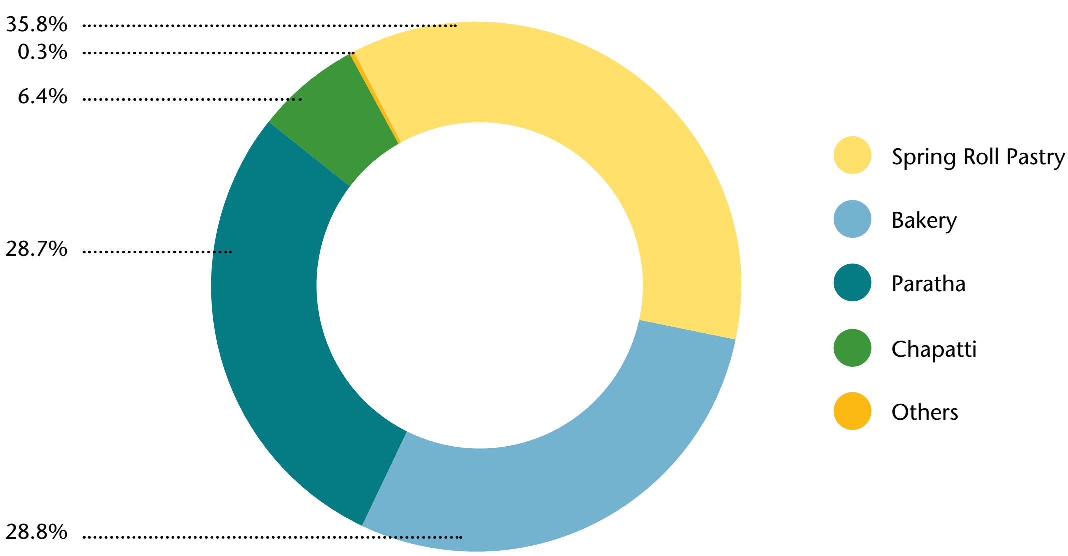
Spring roll pastry is our largest product category, contributing approximately 31.7% of our local revenue for FY2017. This was followed by frozen vegetables and paratha, contributing approximately 19.7% and 16.3% of our local revenue respectively in FY2017.

China Operation

In FY2016, the plant in Nantong, Jiangsu Province supplied to Shanghai, Beijing, Jiangsu and Fujian. In FY2017, the market has now expanded into Heibei, Shandong, Zheijiang, Hubei and Guangdong.

Our customers are mainly industrial users, wholesalers and customers from food service channel. The Company distributed the food products in the China mainly through our distribution network. The China manufacturing facility also exports products into the world market. In FY2017, domestic sales accounted for 22.8% of our revenue in China and 77.2% of our revenue from sales to customers for export markets.

China Sales Contribution

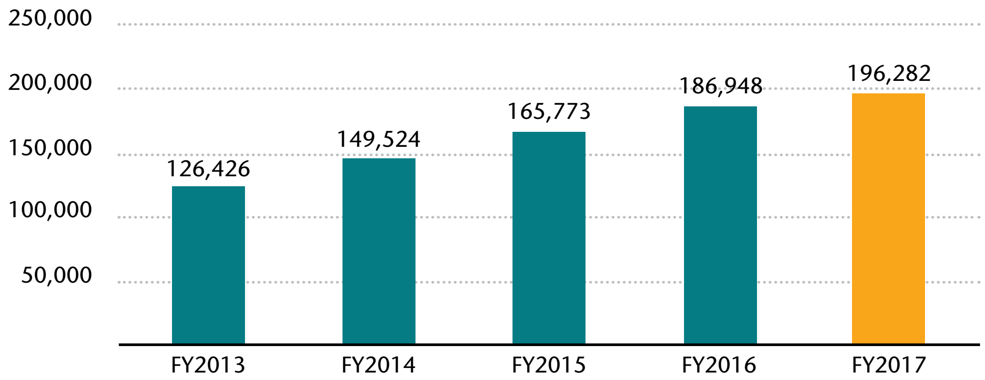


The China operation's revenue increased by 27.3% from RM6.6 million in FY2016 to RM8.4 million in the FY2017 as a result of increases in demand for spring roll pastry and bakery categories. This is mainly due to changing preferences to western style products from the China consumers. We believe that this trend will continue and general economic growth of Chinese consumers will also fuel the demand for our products.

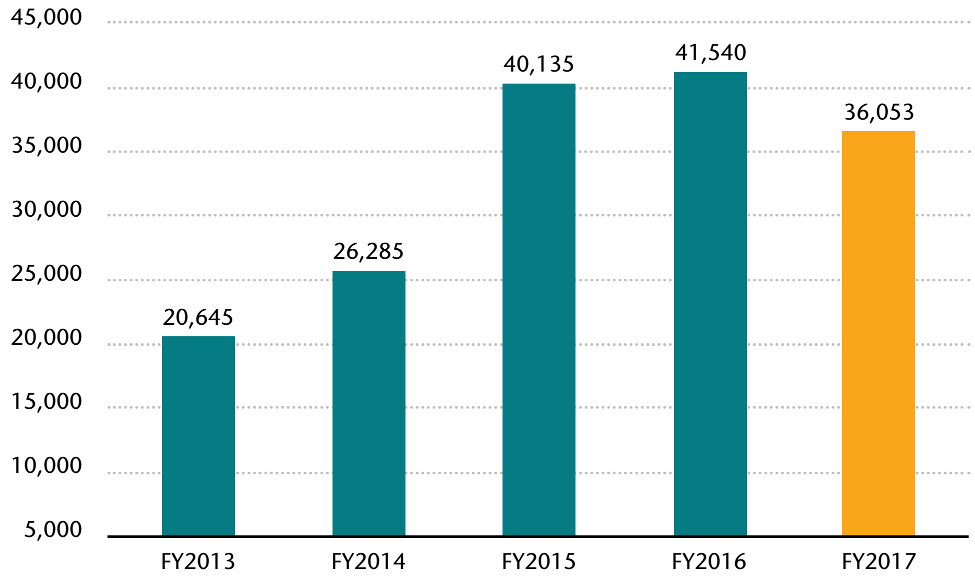
FINANCIAL PERFORMANCE REVIEW

Our Key Indicators

Revenue (RM'000)

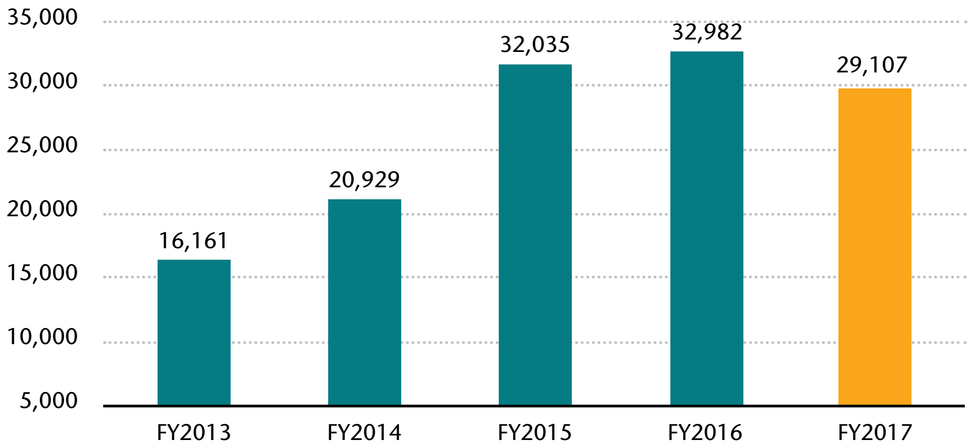


Profit Before Tax (RM'000)

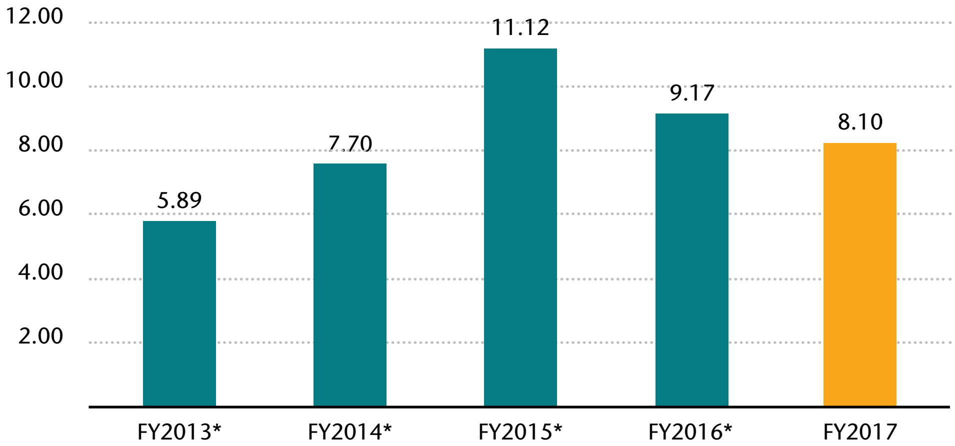


Management Discussion and Analysis | *continued*

Profit After Tax (RM'000)

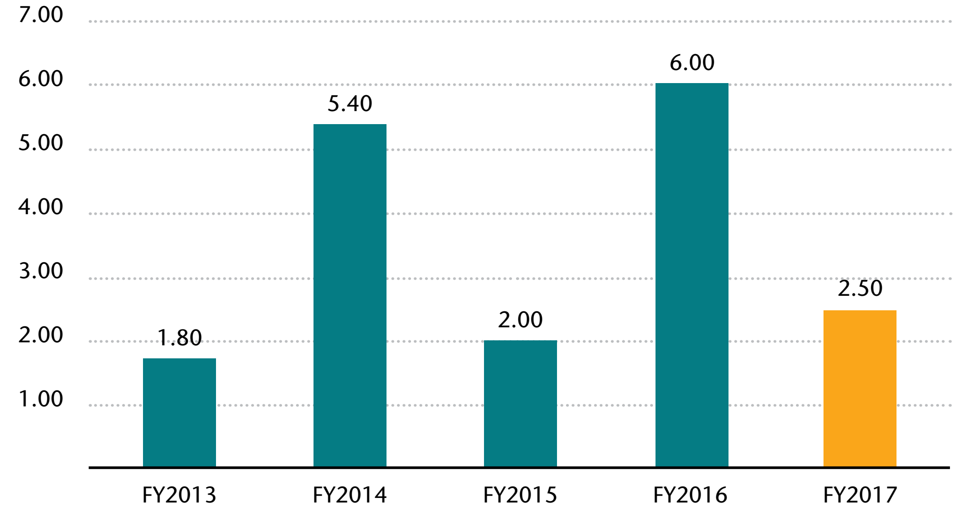


Earnings Per Share (SEN)



**Restated due to adjustments made for bonus issue*

Dividend Per Share (SEN)



	FY2013	FY2014	FY2015	FY2016	FY2017
Statement of Profit or Loss (RM'000)					
Revenue	126,426	149,524	165,773	186,948	**196,282**
Profit Before Tax	20,645	26,285	40,135	41,540	**36,053**
Taxation	4,484	5,356	8,100	8,558	**6,946**
Profit After Tax	16,161	20,929	32,035	32,982	**29,107**
Non-Controlling Interest	14	(21)	–	–	–
Dividends	2,160	6,496	3,657	15,197	**6,741**
Bonus Issues	–	28,982	–	–	**7,405**
Retained Earnings (opening)	58,487	72,502	57,932	86,310	**104,095**
Retained Earnings (closing)	72,502	57,932	86,310	104,095	**119,056**

	FY2013	FY2014	FY2015	FY2016	FY2017
Statement of Financial Position (RM'000)					
Issued and Paid-up Share Capital	60,000	91,175	104,839	134,820	**179,760**
Share Premium	–	–	11,751	37,535	–
Non-Distributable Reserve	3,337	5,318	13,906	14,984	**9,984**
Retained Earnings	72,502	57,932	86,310	104,095	**119,056**
Shareholders' Fund	135,839	154,425	216,806	291,434	**308,800**
Non-Controlling Interest	(26)	(5)	–	–	–
Deferred Taxation	3,054	863	59	291	**1,199**
Long-Term Borrowings	2,094	5,842	25,358	20,226	**16,603**
	140,961	161,125	242,223	311,951	**326,602**
Property, Plant and Equipment, Investment Properties and Prepaid Lease Payments	83,766	101,020	158,684	207,565	**236,463**
Deferred Taxation	1,598	27	188	278	**407**
Net Current Assets	55,597	60,078	83,351	104,108	**89,732**
	140,961	161,125	242,223	311,951	**326,602**

Management Discussion and Analysis | *continued*

	FY2013	FY2014	FY2015	FY2016	**FY2017**
Financial Ratio					
Revenue Growth (%)	14.70	18.27	10.87	12.77	**4.99**
Current Ratio (times)	3.98	3.37	3.66	3.60	**3.23**
Cash Ratio (times)	1.93	1.46	2.01	2.01	**1.56**
Total Borrowings/Equity (%)	2.26	4.45	12.19	8.18	**7.89**
Long-term Borrowings/Equity (%)	1.54	3.78	11.70	6.94	**5.38**
Basic Earnings Per Share (sen)	*5.89	*7.70	*11.12	*9.17	**8.10**
Dividend Per Share (sen)	1.80	5.40	2.00	6.00	**2.50**
Net Assets Per Share Attributable to Shareholders of the Company (RM)	1.13	0.85	1.03	1.08	**0.86**
Share Price – High (RM)	1.39	2.75	4.00	4.00	**5.07**
Share Price – Low (RM)	0.77	1.30	1.40	3.00	**2.90**
Share Price at 31 December	1.39	1.40	3.59	3.80	**2.94**
Company Market Capitalisation (RM'000)	166,800	255,289	752,742	1,024,631	**1,056,988**

**Restated due to adjustments made for bonus issue.*

	FY2013	FY2014	FY2015	FY2016	**FY2017**
Five Year Dividend Payment as % of Profit After Tax					
Profit After Tax (RM'000)	16,161	20,929	32,035	32,982	**29,107**
Dividend Paid (RM'000)	2,160	6,496	3,657	15,197	**6,741**
Dividend Payment as % of Profit after Tax	13%	31%	11%	46%	**23%**

The Group's revenue increased by 5% to RM196.3 million in FY2017. The increase in revenue was largely attributed to higher sales orders from our major customers in Malaysia, France and Middle East.

In term of revenue contribution by geographical segments, Malaysia remains the largest market for Kawan, generating 38.9% of the Group turnover, followed by North America (29.9%) and Asia (17.5%).

The Group's profit before tax ("PBT") in FY2017 dropped by 13.2% to RM36.1 million. The decrease in PBT was mainly attributed to higher input costs and higher foreign currency exchange losses incurred in FY2017. In FY2017, Kawan incurred foreign currency losses of RM2.6 million whereas in FY2016, Kawan recorded foreign currency gains of RM1.9 million.

Capital Expenditure

During the year under review, the Group incurred capital expenditures amounting to RM32.0 million on acquisition of property, plant and equipment for the Pulau Indah expansion project. This was funded through internally generated funds.

Dividend

In FY2017, the Company declared and paid an interim single tier dividend of 2.5 sen per ordinary share amounting to RM6.7 million.

On 1 March 2018, the Company declared an interim single tier dividend of 2.5 sen per ordinary share amounting to RM9.0 million in respect of the financial year ending 31 December 2018. The dividend was paid on 30 March 2018.

OUTLOOK

Riding on the wave of our success, we have successfully launched four new products, namely Hazelnut Mini Paratha, Banana & Chocolate Mini Paratha, Aloo Mini Paratha and Pudina Mini Paratha to consumers who are looking for convenient products particularly for their kids. The mini parathas are child friendly, designed to prepare the products "from freezer to toaster". We will continue to focus on and undertake further social media campaigns to further promote the highly successful products.

In response to the consumer preferences and changing lifestyle in Malaysia, the Company has placed great emphasis on the production of quality food products in terms of tastes and convenience. In FY2017, the Company has launched Ezzy Paratha and Chapatti in effort to offer higher convenience to the consumers. Our Directors also believe that the increasing demand for fast convenience foods from young people and working families will lead to significant potential growth for RTE products and are of view that we have positioned our Group to tap on and benefit from the trend with our presence in the local market. In FY2017, the Company has expanded its distribution channel to supermarkets. We will continue to invest time and money to increase market share in the RTE business. We will also continue to expand our distribution routes to meet the needs of our local consumers and making food more convenience for our consumers.

In FY2017, we were engaged in discussions with potential joint venture partners in Europe and Asia to manufacture new products using our new state-of-art manufacturing facility to expand our distribution into new channels that have never been penetrated before. Our wide range enables us to target market segments which provide a platform to capture greater market share by catering to the needs of different consumer types, thereby reducing our dependency on any individual product.

We are continuously enhancing our product development capabilities and expanding our range of food products. In FY2017, we have innovated new exciting snack items and intend to launch new snack items that the market had not seen before domestically and internationally in FY2018, targeting both ethnic and mainstream consumers.

Moving forward, we continue to position our Group as a one stop centre for our customers and continue to leverage on our experiences, capabilities and capacities to secure sustainable growth.

Timothy Tan Heng Han
Managing Director



Sustainability Statement

1. OUR SUSTAINABILITY COMMITMENT

Kawan recognises that being committed to sustainability is becoming increasing significant to business growth and competitiveness locally and internationally. We are therefore committed to understanding and implementing sustainable practices throughout our company. These practices include balancing our environmental management initiatives; taking into consideration the needs and concerns of our stakeholders that include our shareholders, our people, our customers and the wider community around us; whilst attaining economic success.

We aim to formalise a Sustainability Policy to integrate the principles of sustainability into our company's strategies, policies and procedures. Our Board and senior management would be responsible for company-wide policy implementation and review of our sustainability performance with a view to creating a sustainability culture within the company, and our community, and bringing about the integration of environmental, social and governance as well as economic considerations into our decision-making process and delivery of outcomes.

Our unwavering commitment to product quality is evident in our intensive and continued investment in our state of the art manufacturing facilities. Most processing methods use imported production lines for high quality end products.

We use quick-freezing technology, which is more commonly applied to higher margin products in other industries, but made it possible by our economies of scale. Quick freezing is essential as it enables us to provide the highest level of freshness to our consumers.

Our products conform to the highest health and food standards around the world. In addition to BRC certification, our products are also certified as HALAL by the Islamic Development Department of Malaysia (JAKIM), which meets the Islamic World Body Requirements.

Maintaining our strict standards also means constant checks and scrutiny on all our ingredients and processes. We inform and educate our business partners about our standards, so that they meet the highest quality requirements. Quality is our priority business objective and our enduring obligation. Each minute, someone around the world is picking up our product expecting nothing but perfect 100% quality every time. Achieving this requires stringent quality control over our entire supply chain, right down to our every supplier of ingredients, packing materials and even transportation.

There will be no compromise to our consumer's health and safety.

Our Certifications

BRC FOOD CERTIFICATED

MS 1500:2009
1 037 - 01 / 2004

BUATAN MALAYSIA
PRODUCT OF MALAYSIA

Our Achievements

2016

Recognition from The Edge:
Gold Award for Highest Returns to Shareholders Over Three Years.

2017

Award from Malaysia Institute of Food Technology (MIFT):
Product Innovation Gold Award.

Sustainability Statement | *continued*

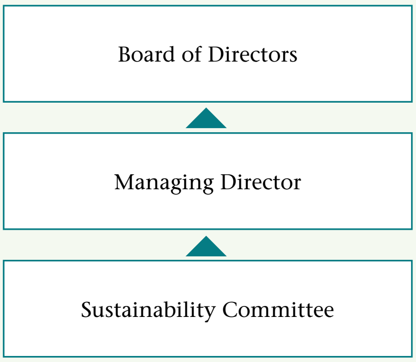
2. GOVERNANCE

The operation of Kawan as a whole is under the supervision of the Executive Chairman and Managing Director, with the guidance of our Board of Directors.

Through its systematic governance structure, Kawan is developing its sustainability strategy across the top management till every operational level from the economic, environmental and social ("EES") perspectives. In this regard, the driver for the sustainability strategy development and implementation is the Sustainability Committee. Members of the Sustainability Committee include:

Chairman:	Managing Director	
Secretary:	Corporate/Admin Representative	
Committee Members, comprising Heads of Departments for	• Marketing • Human Resources • Safety & Health • Finance • Production	• Quality Control • Research & Development • Sales • Warehouse • IT

The reporting structure for the Sustainability Committee is as below.



Scope of Sustainability Statement and Basis for the Scope

In line with Bursa Malaysia's Sustainability Reporting Guide, Kawan is developing its sustainability framework based upon the evaluation of the EES risks and opportunities coexisting with the Company's corporate governance framework and corporate social responsibilities. Kawan believes that sustainable corporate success requires the highest standard of corporate behaviour including measuring up to the public expectations on EES responsibilities. Applying a good corporate governance framework, environmentally responsible practices and sound social policies would enable Kawan to achieve sustainable growth and enhance long-term value for its shareholders. In FY2017, Kawan continued with this commitment as a good and responsible corporate citizen to achieve our sustainability objectives and we highlight our achievements in this statement.

We present our sustainability performance, including achievements and challenges, over the period 1 January 2017 to 31 December 2017 in this statement together with highlights of related performances in the recent years that have brought us to where we are in our sustainability journey and status. Unless otherwise stated, the information within this statement refers to Kawan Food Berhad and its subsidiaries.

This Sustainability Statement 2017 is prepared according to the requirements of Bursa Malaysia, with incorporation of some core principles of the Global Reporting Initiative (GRI) G4 Guidelines.

3. STAKEHOLDER PRIORITISATION AND ENGAGEMENT

Kawan undertook an exercise through its Sustainability Committee to identify and prioritise its internal and external stakeholders that have either inter-dependence or influence on Kawan and its activities. The resultant stakeholder matrix is shown below.

Stakeholders Influence-Dependency Matrix

		Stakeholder Influence on Kawan			
		No Influence	Low Influence	Some Influence	High Influence
Stakeholder Dependence on Kawan	High Dependence			S	B, E, C, A, G
	Low Dependence		Z	F, N, M, X, I	
			U, Y		

LEGEND:

A – Assessors/Auditors
B – Major Shareholders
C – Customers/Distributors
E – Employees
F – Financiers
G – Government
I – Investors
M – Media
N – Industry Associations
S – Suppliers
U – Universities/Research Institutes
X – Communities/NGOs
Y – Industry Peers
Z – Minority Shareholders

From the positioning in the chart above,

a) The most significant stakeholders with high dependence and high influence include:
Majority Shareholders, Employees, Customers/Distributors, Assessors/Auditors for food standards and Government (regulators), followed by Suppliers;

b) Stakeholders with some influence and some dependence include:
Financiers, Industry Associations (eg. Federation of Malaysian Manufacturers (“FMM”)), Media (Social & Advertising), Communities/NGOs (eg. Food Aid), and Investors; and

c) Stakeholders with low dependence and low influence include Minority Shareholders, Industry peers and Universities/Research Institutes.

Engagement with these stakeholders are outlined as follows:

Stakeholder	Method of Engagement	Frequency
B – Major shareholders	• AGM • Annual Reports	• Yearly • Yearly
E – Employees	• Operations • Afternoon tea breaks • Comm.3 (Sports Club) • Festivals (e.g. Hari Raya) celebration • Company dinner • Meetings	• Daily • Twice/month • Regular • Yearly • Yearly • Monthly
C – Customers/Distributors	• Customer satisfaction survey • Incentive trips/Conferences • Visits to customers • Sales teams	• Yearly • Yearly • Ongoing • Ongoing

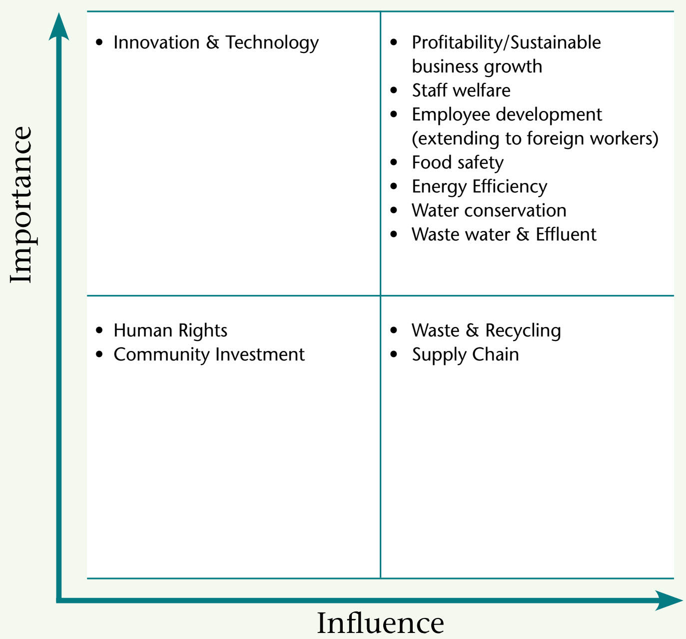
Stakeholder	Method of Engagement	Frequency
A – Assessors/Auditors for food standards	• Compliance audits	• Yearly • Ad-hoc and planned audit
G – Government	• Statutory submissions • Meetings with various regulators (eg. Immigration Department, Ministry of Health, etc.) • Regulatory compliance	• Monthly • Ad-hoc • Ad-hoc
S – Suppliers	• Supplier audit and review	• Quarterly • Yearly • Ad-hoc
F – Financiers	• Facility review	• Yearly
***N** – Industry Associations (FMM)	• Membership • Association meetings • Training/seminars	• Yearly • Ad-hoc • Ad-hoc
M – Media	• Interviews • Advertisements • New product launches	• Ad-hoc • Ad-hoc • Ad-hoc
X – Communities (eg. Food aid)	• CSR activities	• Ad-hoc
I – Investors	• Annual Report • Analyst briefing	• Yearly • Quarterly
Z – Minority Shareholders	• Annual Report • AGM • Analyst briefing	• Yearly • Yearly • Quarterly
Y – Industry peers	• Exhibitions	• Ad-hoc
U – Universities/Research Institutes	• Training • Internships	• Ad-hoc • Yearly

**Note: Participation in meeting.*
Our Managing Director, Mr Timothy Tan, is an active member of the International Business Committee of the FMM. He presented a paper on Essential Strategies for Global Expansion at the FMM National Export Conference 2017.

4. MATERIALITY ANALYSIS

In consideration of the stakeholders' importance to the Kawan, especially those in the quadrant of high importance and high influence, their significant materiality concerns together with that of Kawan can be considered as in the figure below. The top right quadrant highlights the materiality issues of greatest concern to the stakeholders.

Materiality Issues Matrix



As far as possible these materiality issues will be addressed in this Sustainability Statement 2017.

Materiality issues will be subject to yearly review by the Sustainability Committee taking into account the views of our stakeholders.

5. DIRECT & INDIRECT ECONOMIC IMPACTS

Kawan continued to have a profitable year in FY2017 with an increase of 5.0% over the previous year's revenue. Revenue was derived mainly from sale of goods.

Since FY2015, Kawan has been gradually increasing expenditure on environmental investment costs to mitigate against environmental impacts, monitoring costs, cleanup costs, impact of climate change, mainly for waste treatment and disposal. For FY2017, these expenses increased by 13.9% over that of FY2016.

Additionally, Kawan invested in community projects through voluntary contributions in the broader community with 50% increase from FY2015.

The local operational activities, environmental investments and community investments have derived economic impacts along the value chain of Kawan. The presence of Kawan in the community enhances the provision of job opportunities for locals, increasing the income of members of the various surrounding communities or that related to the company's workforce. This in the long term would support the alleviation of poverty for such communities, and also support the development of capacity and capability of commercial and industry vendors and suppliers. Overall, through our economic activities, we contribute towards the nation's economy as well.

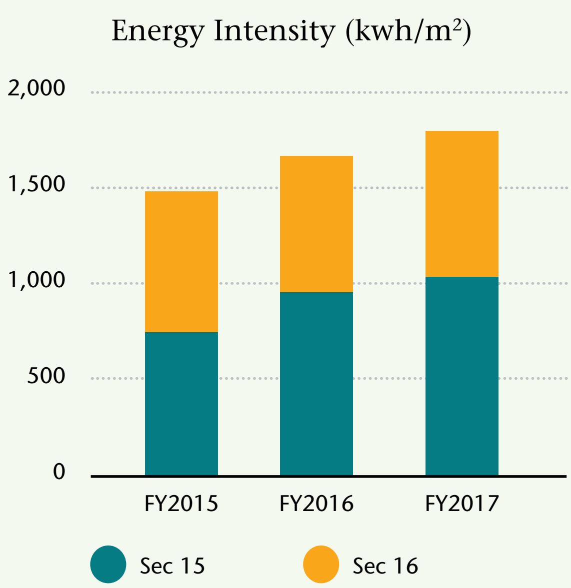
6. ENVIRONMENT

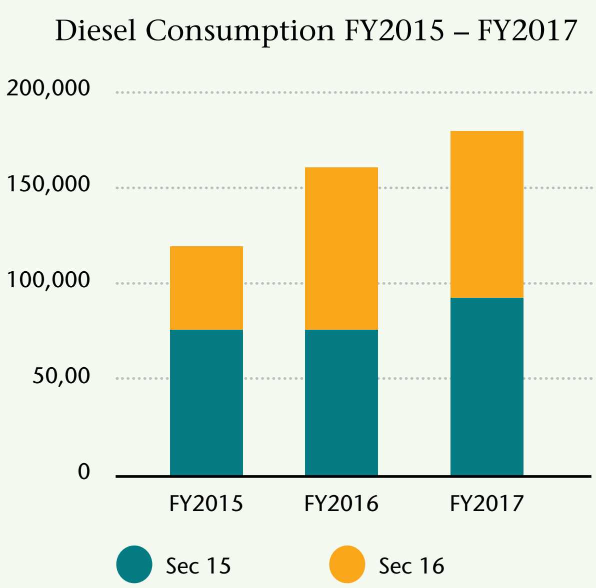
At Kawan, we are committed to ensuring that we manage the environmental impacts at our operations and facilities. Our environmental concerns include impacts related to our inputs, such as materials used, including energy and utilities, and outputs such as emissions, effluents and wastes.

Energy

Our main energy source at Kawan is electricity to run our production lines and facilities. Analysis of our energy intensity at our operations at Section 15 ("Sec 15") and Section 16 ("Sec 16") in Shah Alam, Selangor showed a slight increase of 5% and 0.1% respectively KwH/m² of floor area at these two (2) locations from FY2016 to FY2017, as in the chart below. This corresponded to the increased level of production and a small increase in numbers of occupants in those areas.

We use diesel as fuel consumption for our boilers at Sec 15 and Sec 16, Shah Alam, Selangor. For year 2017, there was an increase of diesel consumption. The increase was attributed to our increased operational activities.





Sustainability Statement | *continued*

Our Energy Management Initiatives

Our energy consumption is an area of concern, especially in the light of possible increases in tariff from time to time by our main electricity provider, Tenaga Nasional Berhad ("TNB"). Therefore, a number of initiatives have been established to bring awareness to our staff to participate in the some or all of them. In our new factory, we have invested in a number of design and technologies to enhance energy efficiency measures.

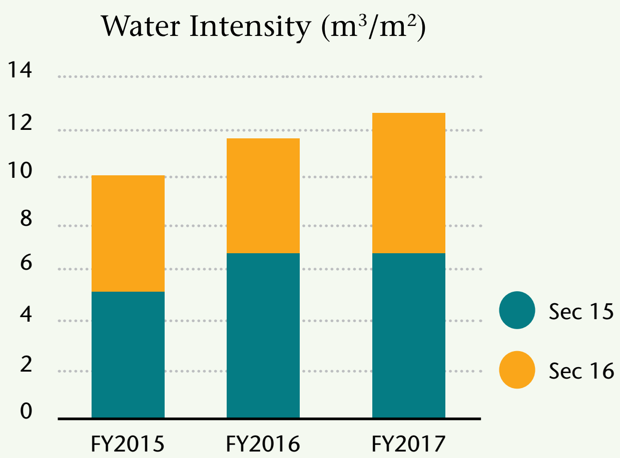
- Our staff switch off lightings in the rooms, pantries, toilets and also the air conditioning when they are not required.
- We continue to switch off lights when we do not occupy parts of the office/factory.
- We have invested in technology that use ice as free cooling in the new factory and office to reduce the energy consumption.
- We use LED lightings in the new factory to reduce energy consumption.
- The structures of the cold room/warehouse (20 meters height) are equipped with new refrigeration controls, Automated Storage and Retrieval System ("ASRS") to reduce energy consumption.
- Thermal insulation and clear roofs have been installed in parts of the areas that allow direct sunlight into the factory to reduce electricity, thus saving energy.
- The structure of the new factory is built/design in such a way to increase energy savings.
- To propose solar pipes and/or sustainable gas turbine energy to reduce dependency on TNB.

LED lighting in Kawan's new manufacturing facility in Pulau Indah.

Natural lighting for main raw material storage area and production floor in Kawan's Pulau Indah facility.

Water

Water availability is a concern for Kawan, as disruptions in water supply would affect our food production. Our water intensity from FY2016 to FY2017, as shown in the chart below, has been relatively unchanged at 7.7 m^3/m^2, which is encouraging in terms of our productivity and performance.



Our Water Management Initiatives

Notwithstanding, in order to be sustainable, we have undertaken the following water management initiatives:

- We monitor our water bills and check for leaks of water from water outlets and pipelines when there was an increase in water bills.
- We will build a waste water treatment plant in the new factory to recycle waste water in FY2018.
- The rainwater from the catchment would be collected into conservation tanks to be used for general purposes.

Our 1st rain water harvesting tank in Pulau Indah.

Our 2nd rain water harvesting tank under construction.

Air Emissions

As a food industry player, Kawan is concerned over air contaminants entering our food products, besides air emissions from our operations into the environment. We thus focused on two (2) areas for air emission measurements, namely a) air monitoring for contaminants affecting our food products and b) air pollutants from boiler.

a) Air Monitoring

Due to our concern for food safety at our operations facilities in Sec 15 and Sec 16, Shah Alam, we conduct air monitoring every three (3) months annually.

In FY2017, at Sec 15, there were fifteen (15) areas monitored for Total Plate Count ("TPC"), Yeast and Mould. All were within the specification limits as follows:

Specification:
TPC ≤ 100 cfu/gm
Yeast ≤ 50 cfu/gm
Mould ≤ 50 cfu/gm

At Sec 16, fourteen (14) areas were tested for TPC, Yeast and Mould. All were found within the specification limits, as above.

b) Air Pollution Monitoring

At Kawan, we are concerned over possible air pollution from our boiler exhaust as the fuel used is diesel. We thus arranged for isokinetic measurements for possible air pollutants.

Our Boiler Air Emission Measurements were taken four (4) times during the period 2014 to 2016 to check on emission levels for Dust Particulates, Sulphur Oxides as SO3 equivalent, Nitrogen Oxides as SO3 equivalent and Carbon Monoxide.

	Dust Particulates, gm/Nm³	SO_x, as SO_3 equiv, gm/Nm³	NO_x, as SO_3 equiv, gm/Nm³	CO, gm/Nm³
Malaysia Environmental Quality (Clean Air) Regulations, 2014, Std C	0.4	0.2	2.0	–
Date of air emission measurement				
26 June 2014	Complied	Complied	Complied	0.210
24 Dec 2014	Complied	Complied	Complied	0.308
28 Jul 2015	Complied	Complied	Complied	0.389
23 June 2016	Complied	Complied	Complied	0.174

From the results, we comply with the current applicable legislation, i.e. the Environmental Quality (Clean Air) Regulations, 2014, to ensure that the air emissions do not cause any adverse impact to the environmental and the community.

Wastes

Kawan had initiated programmes to look into areas of wastes generated by our factory operations as well as non-factory operations.

Waste streams identified were:

a) Scheduled wastes

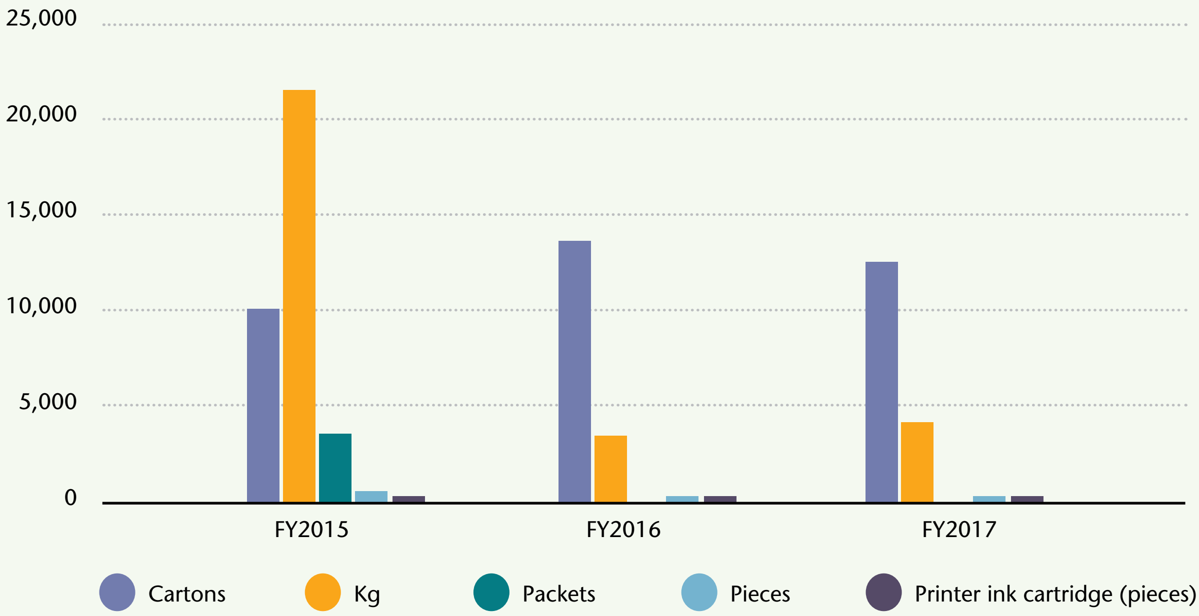
In FY2017, waste oil (air compressor oil & refrigerator oil) of 603 litres was collected and disposed of by registered contractors. This was a reduction of 19 % from 745 litres generated in FY2016.

b) Non-Scheduled Wastes

This comprised finished goods (food products), semi-finished goods (food products), packaging, raw materials and printer ink. The chart below shows the waste levels generated over the period 2015 to 2017. Overall, there was a reduction in the total amount of waste generated, especially from the finished goods waste in cartons which reduced by 5.6% from FY2016 to FY2017. There was also substantial reduction of semi-finished goods waste in kg by 82% from FY2015 to FY2017. Printer ink cartridge waste however increased from FY2016 to FY2017 by 12%, due to increased production activity in FY2017.

Some initiatives have been undertaken for monitoring and managing wastes more effectively and these are outlined below.

Non-scheduled Wasted Generation (FY2015 – FY2017)



Our Waste Management Initiatives

From factory operations:

- Our food waste is recycled instead of sending directly to the landfill. We will continue to reduce the environment impact of our waste by looking into alternatives other than landfill. Examples of alternative disposal methods include recycle centres and/or independent contractors – food wastes recycled into animal feeds.
- We will continue in our efforts on waste management, to recycle wastes that are produced.

From non-factory operations:

- Paper consumption – we minimise printing by using double side printing where applicable; reuse and recycle one-sided printed paper.
- Metal/paper boxes from suppliers/cartons are reused/recycled.

7. PEOPLE

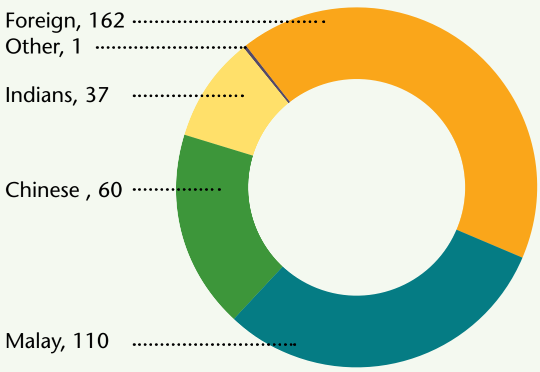
We recognise our staff as a very important stakeholder to the organisation. As such, we place special care to ensure their development to their best potential in a working environment which is conducive in allowing them to shine. We believe that in taking good care of employees, they in turn will take good care of the company; and that together we will flourish.

We do not discriminate against anyone based on their race, gender or age. We only look for people who are interested to build a career and who are willing to invest in their future through hard work and determination.

Illustrated on the right is a breakdown of our employees by ethnicity as of 31 December 2017.

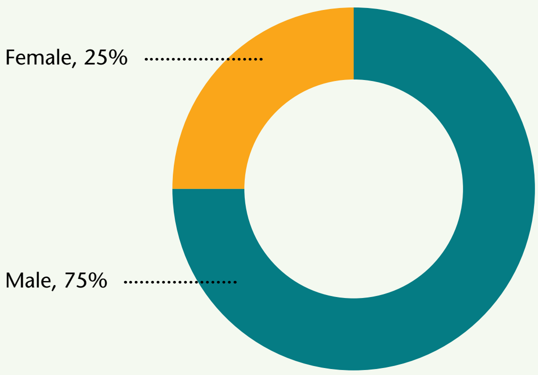
All of the foreign workers we hire are for factory or general work purposes. We do not have a choice but to hire foreign workers as there is a rapid increase in educational levels of Malaysians who then aspire more than to be factory or general workers.

Employees by Ethnicity



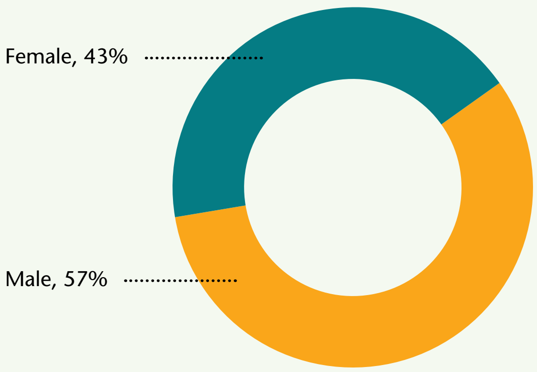
Shown on the right is our breakdown of total employees by gender. The reason for the higher percentage of males is that most of our foreign workers (75% of the workforce) are males.

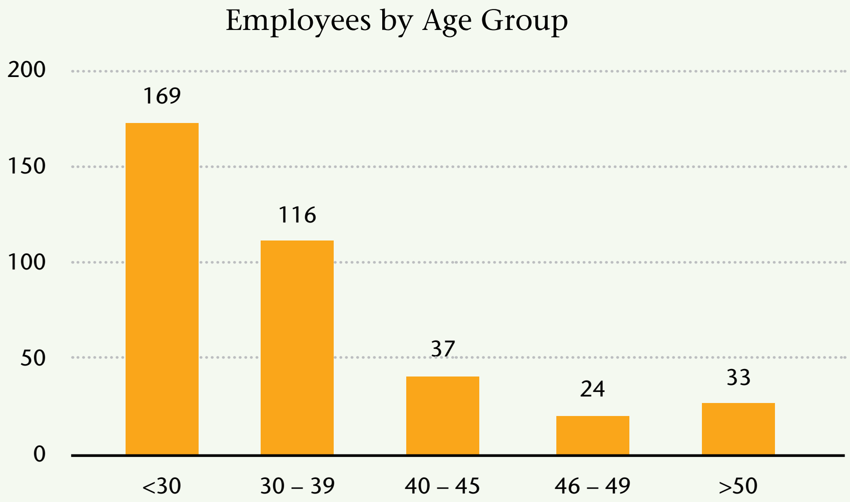
Total Employees by Gender



However, once we take the foreign labour out of the equation, we find that our female population is 43%. This is nearly half of our local hires.

Local Workforce by Gender





Most of our staff falls in the below 30 age group. We have sufficient number of experienced older staff to help to guide the younger employees to ensure that work carried out to the highest quality that we are known to produce.

Employee Engagement

The Company has set up a sports club to provide an avenue for the staff to partake in activities outside of work. Through sporting activities and other informal activities such as company trips, better management-employee relationships as well as staff bonding can be developed. This we see as an invaluable tool for good team synergy to develop.

We have implemented a tea-break session twice a month where management and staff can mingle. We celebrate festivities with the staff as well to bring our people together.

Pitcha Christmas luncheon

2017 Ramadan celebration

Occupational Health and Safety

We place great emphasis on the safety of our employees. A Health & Safety Committee has been set up to look into Health & Safety issues.

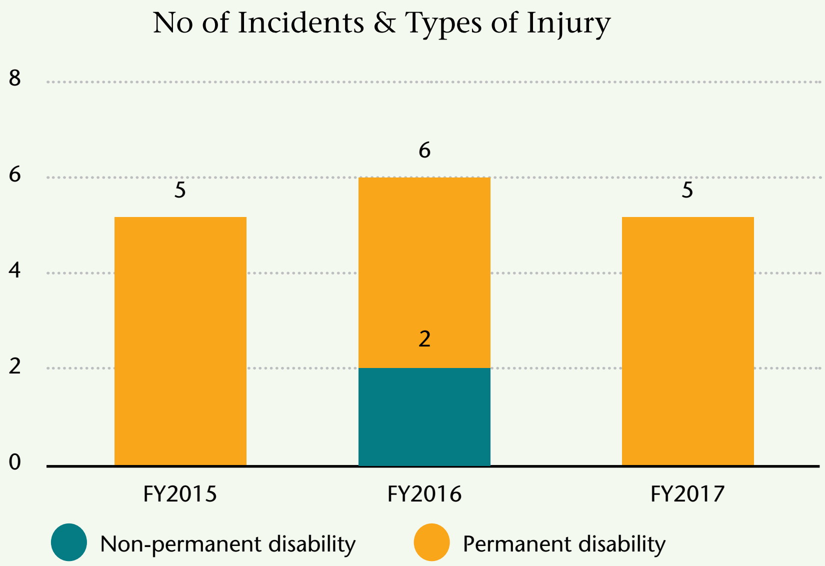
We carry out safety briefings to ensure that all employees are aware and will abide by the safety rules.

Employees are sent for trainings conducted by the Department of Occupational Safety & Heath in order to be kept abreast of the latest developments.

Despite our best efforts, unfortunately accidents happened. Some of these accidents are due to workers' poor judgment, lack of concentration or carrying out an unsafe act. Other contributing factors are poor housekeeping, improper working condition and defective equipment.

Once an accident occurs, immediate actions are taken to investigate and remedial actions taken to mitigate such incidents from happening again.

For the two (2) cases of permanent disability, the injuries were not life-changing and they are both currently still working with us.



Training & Education

We believe that training is absolutely necessary and important to develop the staff to their full potential. In FY2017, 39% of our local staff was sent for training. A total of 35 days were taken up for training. This has been increased from twenty-nine (29) days and twenty-six (26) days in FY2016 and FY2015 respectively. In FY2017, our training expenditure increased by 129% from FY2015.

All staff has to undergo the Good Practice Manufacturing training which we conduct on an annual basis. This serves to induct the new hires as well as serve to refresh and inculcate good practices amongst those who have attended the training before.

Quality Line leaders undergo Critical Control Points training yearly to ensure an effective means of ensuring quality and safety of our food production.

Listed below is the type and frequency of training programmes that was been carried out in FY2017.

Training Type	FY2015	FY2016	FY2017
Functional	6	7	7
Organisational	2	3	4
Risk Management	–	–	2
Laboratory Management	–	–	1
Safety – Food, DOSH	2	9	4
Good Manufacturing Practice	–	–	1
HALAL Certification	–	1	1

8. SOCIAL

Local Communities

Beyond profits and creating jobs, we recognise that as a good corporate citizen, it is our responsibility to create positive change and contribute towards society. We seek to bring joy to people's lives and to help those who are underprivileged. It is also our belief that as far as possible, we will contribute our time and efforts and not just monetary wise towards each cause. In order to reach out to even more, we have established partnerships with non-profit organisations that share our value of community involvement.

Listed below are our activities for FY2017:

Date	Event/Charities	Involvement
March	World Women's Day	We distributed flowers to women in Bandar Utama, Petaling Jaya in order to provide them with some joy on this special day for women.
June	Rumah Yatim Klang	We provided Raya packets, stationeries and food for the children at the orphanage.
August	Iftar Malam Mesra 2017 together with Royal Commonwealth Society.	Collaboration with Food Aid Foundation. We raised RM2,000 internally amongst the staff towards this event. Aside from food, games and entertainment were organised for the children as well.
October	Deepavali Luncheon with Pusat Jagaan Orang-Orang Kurang Upaya dan Terbiar	We prepared and cooked at the Food Aid Foundation's kitchen for the people with disabilities. Thereafter, we served them.
December	Christmas Luncheon Gathering with children from Rumah K.I.D.S.	We prepared and cooked at our company's kitchen. Each child was given stationeries.
December	Christmas Luncheon	Contribution to a Syrian refugee family in Malaysia through the "Pitcha Project".
On-going	Food Aid Foundation	Assisted by providing food supply to the Food Aid Foundation which reach out to the less fortunate.

Deepavali luncheon with disabled and abandoned people from Lovely Home.

Christmas luncheon with kids from RUMAH KIDS.

Food distribution to thirty one (31) underprivileged families in Selangor in conjunction with World Food Day 2017.

Customer Engagement

Besides the day-to-day engagement with our customer through sales calls and delivery activities, we carry out a Customer Feedback Survey every quarter. This is to help us with monitoring our performance and to ensure continuous improvement.

The survey covers product quality, sales service, delivery service as well as billing services. Of these, our primary focus is on our products.

Any customer complaints will be taken seriously. We will investigate to find out the root-cause and take corrective steps to ensure that the incident will not recur.

Profile of Board of Directors

| Lim Peng
@ Lim Pang Tun
| Abdul Razak
Bin Shakor
| Gan Thiam Hock
| Nareshchandra
Gordhandas Nagrecha
| Chen Seng Chong

GAN THIAM CHAI
Malaysian, Male, Aged 64
Executive Chairman

Gan Thiam Chai ("Mr T.C. Gan") was appointed to the Board on 1 June 2005 and has been the Executive Chairman since 1 March 2010.

Mr T.C. Gan has accumulated more than thirty (30) years of experience in the food processing industry. After leaving school in 1971, he joined Behn Meyer Industries Sdn. Bhd. as a Technical Assistant. He left the company in 1976 and set up Kian Guan Trading Co. in 1977. In 1984, he founded Kawan Food Manufacturing Sdn. Bhd. ("KFM"). The growth of KFM from small business to an award-winning enterprise is attributable to his efforts.

His business acumen and sound technical knowledge in the food industry is an invaluable asset to the Group. He is responsible for the overall business planning and development, product research and development, transformation and modernisation of food production process through automation, formulation of companies' strategic plans and policies.

Mr T.C. Gan is the husband of Mdm Kwan Sok Kay, brother of Mr Gan Thiam Hock and father-in-law to Mr Timothy Tan Heng Han. He has no conflict of interest with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

TIMOTHY TAN HENG HAN
Malaysian, Male, Aged 36
Managing Director

Timothy Tan Heng Han ("Mr Timothy Tan") was appointed to the Board on 25 November 2013 and redesignated as Managing Director of Kawan Food Berhad on 21 April 2015.

Mr Timothy Tan graduated with Bachelor of Business in Marketing (Sub majors in Business Information Systems and Advanced Advertising) from the University of Technology Sydney, Australia. He also obtained Diploma in Marketing Communications from International Advertising Association and Diploma in Marketing Research from Marketing Research Society of Australia.

He began his career in year 2003 as a Worksite Marketing Executive in Allianz Life Insurance (M) Berhad. In year 2004, he joined KFM as a Marketing Executive and was promoted to the Deputy General Manager (Exports) for the Group. In addition, he oversees the launch of new products in existing and new markets for brands owned by the Group in overseas markets.

Mr Timothy Tan is the son-in-law of Mr T.C. Gan and Mdm Kwan Sok Kay. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

Profile of Board of Directors | *continued*

GAN THIAM HOCK
Malaysian, Male, Aged 55
Non-Independent Executive Director

Gan Thiam Hock ("Mr T.H. Gan") was appointed to the Board on 1 June 2005. He was also the Chairman of the Remuneration Committee of the Company and subsequently resigned on 10 April 2018.

Mr T.H. Gan has over thirty (30) years of experience in the marketing of pastry and frozen food products. After leaving school in 1981, he joined Mr T.C. Gan at Kian Guan Trading Co. He is also the co-founder of KFM and holding the position of the Sales Director, a position he continues to hold until today.

Mr T.H. Gan is responsible for the overall expansion and development of the marketing networks of the Group, as well as implementation of sales, distributions and promotional activities for the domestic market.

Mr T.H. Gan is the brother of Mr T.C. Gan and brother-in-law to Mdm Kwan Sok Kay. He has no conflict of interests with the Company except that he is a substantial shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

KWAN SOK KAY
Malaysian, Female, Aged 63
Non-Independent Executive Director

Kwan Sok Kay ("Mdm Kwan") was appointed to the Board on 1 June 2005.

After leaving school in 1973, she was involved in book-keeping work in several companies until she joined Unic Plastics Industries Sdn. Bhd., a plastic products manufacturing company, as an Account cum Administrative Assistant in 1975. Subsequently, she joined KFM in 1984 as a Director, before holding the post of Finance Director in 1986.

Mdm Kwan is responsible for the financial management and administrative functions of the Group, as well as the implementation of accounting and operational procedures and human resource policies.

Mdm Kwan is the wife of Mr T.C. Gan, sister-in-law of Mr T.H. Gan and mother-in-law of Mr Timothy Tan. She has no conflict of interests with the Company. She has never been convicted for any offence within the past five (5) years. She attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

CHEN SENG CHONG
Malaysian, Male, Aged 69
Senior Independent Non-Executive Director

Chen Seng Chong ("Mr Chen") was appointed to the Board on 16 May 2005. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr Chen graduated with a Bachelor of Engineering (Hons) degree from the University of Malaya in 1973. Upon graduation he started work with Impact Industries Sdn. Bhd. as Plant Engineer. Later in the year, he joined the then Federal Industrial Development Authority (later re-named Malaysian Industrial Development Authority ("MIDA") and subsequently re-named again as Malaysian Investment Development Authority (acronym remains the same as MIDA) as Project Evaluation Engineer. He was with MIDA for twenty-four (24) years and his last held position in MIDA was Deputy Director of the Electrical and Electronics Industries Division. He took optional retirement in 1997 and joined Bright Rims Manufacturing Sdn. Bhd. as General Manager. In 2000, he left the company and became an independent Industrial Consultant. He is a member of the Institution of Engineers, Malaysia.

Mr Chen does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

Profile of Board of Directors | *continued*

LIM PENG @ LIM PANG TUN
Malaysian, Male, Aged 63
Independent Non-Executive Director

Lim Peng @ Lim Pang Tun ("Mr Lim") was appointed to the Board on 16 May 2005. He is also the Chairman of the Nomination Committee, a member of the Audit Committee and Remuneration Committee of the Company.

Mr Lim holds a Master in Business Administration degree from the Louisiana State University, United States of America. He is a Chartered Accountant of the Malaysian Institute of Accountants and an Associate Member of CPA Australia and the Chartered Institute of Management Accountants, UK.

He has over thirty (30) years experience in executive management, corporate finance and accounting; and has worked in the investment banking, healthcare, cruises, pharmaceuticals, chemicals and heavy equipments industry. He has held positions as Executive Director of Pantai Holdings Berhad, Executive Director of Paos Holdings Berhad and Vice-President, Finance and Treasury with Star Cruises Ltd. He was also previously the Vice-President, Business Development of Hwang-DBS Investment Bank Berhad and General Manager, Corporate Finance of Affin Investment Bank Berhad. He is currently involved in private investment ventures.

Mr Lim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

DR NIK ISMAIL BIN NIK DAUD
Malaysian, Male, Aged 67
Independent Non-Executive Director

Dr Nik Ismail Bin Nik Daud ("Dr Nik") was appointed to the Board on 2 January 2017. He was also appointed as Chairman of the Remuneration Committee of the Company on 10 April 2018.

Dr Nik is a Fellow, International Academy of Food Science and Technology. He graduated with a Bachelor of Agricultural Science (Hons) from University of Malaya in 1975. Subsequently, he obtained a Postgraduate Diploma in Food Science from the Catholic University of Leuven, Belgium in 1976, a Master of Science in Food Science & Microbiology from University of Strathclyde, Scotland in 1978, a PhD in Food Science from University of London, United Kingdom in 1983 and a Master of Business Administration from Universiti Kebangsaan Malaysia ("UKM") in 1987.

Dr Nik began his career as a lecturer on various subjects such as food quality and safety systems, food microbiology, food analysis, new product development, food legislation and operations management, management of biotechnology and entrepreneurship in science and technology for undergraduate and graduate levels in UKM in 1978. His industry experience includes holding senior positions in private companies involved in food-related businesses. He has also conducted workshops for many food companies and government agencies on food quality, safety systems, food legislations and on intellectual property management in the food industry since 1983. He was appointed as Managing Director of UKM holdings Sdn Bhd from 2006 till 2014.

Dr Nik has been a member of various national committees including the National HACCP Committee, National HACCP Audit Committee, Technical Advisory Committee on Malaysian Food Regulations, 1985, Technical Committee of the National Food Safety Council, Malaysia, Member of National Food Safety and Nutrition Council, Malaysia, National Codex Alimentarius Committee, Malaysian Standards on Coffee, Beverages, Flour, Starches and Food Safety and a Member of the Industrial Standard of Food and Food Products. In addition, he was the president of the Malaysian Institute of Food Technology for eighteen (18) years until 2014 and was also past President of Federation of Institute Food Science and Technology, Association of South East Asian Nations (FIFSTA). He was appointed as the Independent Non-Executive Director of Bioalpha Holdings Berhad on 30 June 2011.

Dr Nik does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

LIM HUN SOON @ DAVID LIM
Malaysian, Male, Aged 62
Independent Non-Executive Director

Lim Hun Soon @ David Lim ("Mr Lim") was appointed to the Board on 21 October 2015. He is also the Chairman of the Audit Committee and was appointed as member of Remuneration Committee on 24 November 2016.

Mr Lim graduated with a Bachelor of Arts in Economics from the University of Leeds in 1978 and subsequently joined Peat Marwick Mitchell (now known as KPMG) in the United Kingdom ("UK") in 1978. He is qualified as a member of the Institute of Taxation, United Kingdom in 1981 and as a Chartered Accountant in England and Wales in 1982. He returned to Malaysia in 1982 to continue his service with KPMG, and was admitted as a member of the Malaysian Institute of Accountants ("MIA") and the Malaysian Association of Certified Public Accountants (now known as the Malaysian Institute of Certified Public Accountants ("MICPA")) in 1982 and 1984 respectively.

Mr Lim has had an extensive career serving as an Auditor at KPMG, spanning thirty three (33) years. During his career with KPMG, he was admitted as Partner of the firm in 1990 and served in the Management Committee of the firm from 1997 to 2001 and in KPMG's Partnership Supervisory Council from 2002 to 2010. He was also the Asian Anchor Practice representative for Marketing from 2000 to 2001, in which role he gained extensive and insightful knowledge from KPMG Global counterparts worldwide.

In 2006, he was tasked to start up the Audit Committee Institute, Malaysia ("ACI Malaysia"), which is a virtual worldwide initiative sponsored by KPMG to assist independent directors in enhancing their awareness and ability to implement effective board processes.

Mr Lim actively served as an examiner for Company Law examinations conducted by the MICPA for over a period of ten (10) years. He was the Chairman of the MICPA Code of Ethics Committee and a member of the MIA Code of Ethics Committee, both from 2002 to 2004. He retired from KPMG in 2011. In 2013, he was appointed as Council member of The Institute of Chartered Accountants in England & Wales ("ICAEW"). This was the first time that ICAEW, in its illustrious history had appointed a Malaysian on Council. The position was for a term of two (2) years till 2015; this was subsequently renewed for a second term of two (2) years to 2017. Recently, his term as Council member was renewed for a third term of two (2) years till 2019.

Mr Lim holds directorship in public listed companies, he is an Independent Non-Executive Director of Manulife Holdings Berhad, Sasbadi Holdings Berhad, Ranhill Holdings Berhad and Ann Joo Resources Berhad. He also holds directorship in Manulife Insurance Berhad, Fairview Schools Berhad, Affin Investment Berhad (formerly known as Affin Investment Bank Berhad), Affin Hwang Investment Bank Berhad and Rockwills Trustee Bhd.

Mr Lim does not have any family relationship with any Director and/or major shareholder of the Company. He has never been convicted for any offence within the past five (5) years. He attended all the five (5) Board Meetings held during the financial year ended 31 December 2017.

NARESHCHANDRA GORDHANDAS NAGRECHA
British, Male, Aged 67
Non-Independent Non-Executive Director

Nareshchandra Gordhandas Nagrecha (“Mr Nagrecha”) was appointed to the Board on 31 December 2009. He is also a member of the Nomination Committee of the Company.

Mr Nagrecha graduated with a degree in Chemistry-Microbiology from Bombay University and completed Master of Science (M.Sc) degree in Food Science at the Reading University, UK. He subsequently obtained Postgraduate Diploma in Management Studies.

Starting his career in Research and Development in Food and Drink Industry, in 1982, he jointly founded Rubicon Drinks Limited, a company incorporated in England and Wales, to produce and distribute Exotic Juice Drinks for the ethnic South Asian community. The company grew rapidly and is now considered to be part of the mainstream drinks chain in the UK. In August 2008, the company was sold to AG Barr plc, the third largest drinks manufacturer in the UK.

The Nagrecha Group own Rubicon Food Products Limited (“RFPL”), a company incorporated in Canada. RFPL, which manufactures and distributes the Rubicon range of drinks as well as imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in Canada.

He is also the beneficial owner of Shana Foods Limited, a company incorporated in England and Wales, which imports and distributes Shana range of frozen vegetables and flat bread for the South Asian market in Europe.

In 2010, he ventured into hospitality industry and set up the “Sandalwood Hotel & Retreat” in Goa, India. Since its opening, it has been awarded the “Certificate of Excellence” for eight (8) consecutive years by Tripadvisor.

Mr Nagrecha is now settled in Malaysia and is presently strategically managing all Nagrecha Group businesses in the rest of the world.

Mr Nagrecha is keenly involved in charitable work with Sanskruti Foundation UK and Jamnaben Gordhandas Nagrecha foundation. His special interest is in educating the needy.

Mr Nagrecha does not have any family relationship with any Director and/or major shareholder of the Company except that he is a substantial shareholder deemed interested in the Company through Maybank Securities (Asing) Sdn. Bhd. Exempt AN for Volaw Trustee Limited (Narvee). He has never been convicted for any offence within the past five (5) years. He attended four (4) out of the five (5) Board Meetings held during the financial year ended 31 December 2017.

ABDUL RAZAK BIN SHAKOR
Malaysian, Male, Aged 60
Non-Independent Non-Executive Director

Abdul Razak Bin Shakor (“Encik Abdul Razak”) was appointed to the Board on 16 August 2016.

Encik Abdul Razak attended Institute Technology MARA, Malaysia, majoring in Insurance. He has obtained Certificate from Lloyds of London, Charter Insurance Institute (Cert. CII), UK and Institute of Risk Management (Cert IRM), UK and a Fellow of the Malaysian Insurance Institute (FMII). He has more than thirty-seven (37) years extensive working experience in risk management, insurance and financial services sector in Malaysia and internationally. He has served in key regional management positions for South-East Asia and the Middle-East and North Africa for multinational/ international organisations. Currently, Encik Abdul Razak is the Founder and Managing Director of Esperanza Management Advisors Sdn. Bhd., a Specialist Risk Management consulting services firm and Chairman of Alloy Insurance Brokers Sdn. Bhd., a Bank Negara licensed insurance, reinsurance and takaful insurance broking company. He was also recently appointed as a member of the Board Risk Committee of PERKESO.

Encik Abdul Razak does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has never been convicted for any offence within the past five (5) years. He attended four (4) out of the five (5) Board Meetings held during the financial year ended 31 December 2017.

Profile of Key Senior Management

The Management of the Group is headed by the Group Managing Director, Mr Timothy Tan Heng Han and is assisted by the Executive Directors, Mr Gan Thiam Hock and Mdm Kwan Sok Kay and the following key senior management:

TEOH SOON TEK

Financial Controller
Nationality: Malaysian
Age: 42
Gender: Male

Date of appointment to current position: March 2013

Qualifications:
- Bachelor of Accounting, RMIT University
- Member of Malaysian Institute of Accountants
- Member of CPA Australia

Working experience:
- More than eighteen (18) years of experience in the areas of auditing, accounting, taxation, GST, corporate affairs and finance, having worked in international accounting firms and public listed companies prior to joining the Group.
- He joined Kawan in March 2006 as Group Accountant and was promoted to Financial Controller in March 2013.

YAN WEI DONG

General Manager of Kawan Food (Nantong) Co., Ltd.
Nationality: Chinese
Age: 50
Gender: Male

Date of appointment to current position: March 2012

Qualifications:
- Bachelor of Machinery, Shanghai University
- Executive Master of Business Administration, Dumex Management Institute

Working experience:
- More than twenty (20) years of experience in the areas of marketing, sales and business development in the Fast-Moving Consumer Goods ("FMCG") multi-national companies prior to joining the Group.
- He joined Kawan in March 2012 as General Manager of Kawan Food Nantong.

LOW CHIEW LAN

HR & Operations Manager
Nationality: Malaysian
Age: 58
Gender: Female

Date of appointment to current position: March 2013

Qualifications:
- MCE Certificate
- LCCI Intermediate (Accounts)

Working Experience:
- More than thirty five (35) years of experience in the areas of accounting, human resource management and administration, having worked in public listed FMCG companies prior to joining the Group.
- She joined in February 2003 as HR Officer and was promoted to HR & Operations Manager in March 2010.

Profile of Key Senior Management | *continued*

KHOO BOO SENG

Head of Export
Nationality: Malaysian
Age: 48
Gender: Male

Date of appointment to current position: March 2017

Qualifications:
- SPM

Working Experience:
- More than twenty (20) years of experience in the areas of domestic and export sales of FMCG products, having worked in various companies that specialise in distributorship.
- He joined in May 2010 as Business Manager and was promoted to Head of Export in March 2017.

LIM HENG HEE

National Sales Manager
Nationality: Malaysian
Age: 57
Gender: Male

Date of appointment to current position: January 2012

Qualifications:
- Diploma in Diesel Engineering
- Diploma in Marketing
- LCCI Higher (Commercial Law)

Working Experience:
- More than thirty (30) years of experience in the areas of sales and marketing of FMCG products, having worked in trading and manufacturing companies.
- He was appointed as Sales Manager in April 2006 and subsequently promoted to National Sales Manager in January 2012.

Additional notes on the above key senior management

None of the above key senior management has any:

(i) directorship in public companies and listed issuers;
(ii) family relationship with any director and/or major shareholder of the Company;
(iii) conflict of interests with the Company; and
(iv) conviction for offences within the past five (5) years, and public sanction or penalty imposed by the relevant regulatory bodies on him or her during the financial year ended 31 December 2017, which require disclosure pursuant to paragraph 4A(g) of Part A of Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.


Kawan
CHAPATTI

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Kawan Food Berhad ("the Company") recognises the importance of adopting corporate governance in the Group and is committed to adhere the sustainability of the Company's businesses and operations through the implementation and observation of the Principles and Recommendations as promulgated by the new Malaysian Code on Corporate Governance 2017 ("MCCG").

In making this Corporate Governance Overview Statement, the Company is guided by Practice Note 9 of Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Corporate Governance Guide (3rd edition) issued by Bursa Securities. The Corporate Governance Overview Statement is supported with a Corporate Governance Report, based on a prescribed format as outlined in paragraph 15.25(2) of the Listing Requirements so as to map the application of the Company's corporate governance practices against the MCCG. The Corporate Governance Report is available on the Company's website, www.kawanfood.com as well as via an announcement on the website of Bursa Securities.

Compliance with the MCCG

As a Main Market listed company, the Company is pleased to present this statement in accordance with the MCCG which sets out the standards of good practice in relation to:

a) **Principle A:** Board Leadership and Effectiveness;
b) **Principle B**: Effective Audit and Risk Management; and
c) **Principle C:** Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This Statement outlines the principles and recommendations which the Company has adopted and applied, and where there are gaps in the Company's observation of any of the recommendations, they are disclosed herein with explanations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Roles and Responsibilities

The Company is led by an experienced and dynamic Board. It has a balanced board composition with effective independent directors. The Board plays a pivotal role in the stewardship of the Group and ultimately enhancing shareholders value. To fulfill this role, the Board is responsible for the following:

- Reviewing, challenging and approving the strategic plans prepared by the Management and to monitor the implementation of the plan and ensuring that the strategies promote sustainabilities;
- Overseeing the conduct of the Group's business to evaluate whether the businesses are being properly managed;
- The Board is kept informed of key strategic initiatives, significant operational issues and the Company's performance through the periodic meetings;
- Identifying principal business risks affecting the Group and recommending the implementation of appropriate system to manage these risks;
- Ensure that there are plans in place for orderly succession of senior management;
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Receiving the audit report by the Internal Auditors which had been reviewed by the Audit Committee and conducts annual assessment on the adequacy of the Department's scope of work and resources;
- Reviewing the summary of internal audit's findings together with the Management's responses and that the Management undertakes the agreed remedial actions by the Internal Auditors;
- Assessment of the senior management's skills and experience, and there are measures in place to provide for the orderly succession of Board and senior management;
- Establishing, reviewing the policies and procedures on whistleblowing;
- Monitoring and reviewing management processes aimed in adhering the integrity of financial and other reporting;
- The Board is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are available in the Statement on Risk Management and Internal Control of this Annual Report;

- Monitoring the Company's financial statements are true and fair and conform with the accounting standards; and
- Promoting the Company adheres to high standards of ethics and corporate behavior.

2. Chairman and Managing Director/Chief Executive Director ("MD/CEO")

There is a clear division of responsibilities between the Chairman and MD to ensure that there is a balance of power and authority, as set out in the Board Charter.

The Non-Independent Executive Chairman, Mr Gan Thiam Chai is responsible for the leaderships, effectiveness, conduct and governance of the Board as well as setting the Board agenda including ensuring accurate and complete Board papers are provided to Board members and Committees in advance. The Chairman also promotes an open culture for debates and encourages active participation among the Directors. During the meetings, the Chairman shared his views on key matters so that all the Directors contribute to the debates while ensuring no Director dominates the discussions. The Chairman maintains regular contacts with all Directors. Where appropriate, the Chairman invites Director(s) to attend meetings with the management on key matters of business. The Chairman also communicates on behalf of the Company to shareholders and other stakeholders.

The MD, Mr Timothy Tan Heng Han, is entrusted by the Board on the daily running of the business and implementation of the Group's policies and strategic plans established by the Board within a set of authorities delegated by the Board. The MD also leads the management to ensure effective working relationship with the Chairman and the Board by meeting or communicating with the Chairman/Director(s) on regular basis to review key developments and issues.

3. Company Secretary

Company Secretary plays an important role in advising and supporting the Board. The Company Secretaries have more than twenty (20) years' experiences in practice and are qualified under The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and Licensed Company Secretary ("LS") respectively.

The Company Secretary is responsible for the following:

- Advising the Board on the governance matters and keeping the Board abreast with the developments of corporate and securities law, listing rules, Company's Constitution, Board policies and procedures, and its compliance with regulatory requirements, and advocate adoption of corporate governance best practices;
- Managing the provision of information within the Board;
- Facilitating the induction of new directors and continuing development of Directors; and
- Acting as a focal point for stakeholders' communication and corporate governance.

The Board has direct access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that all governance matters and Board procedures are in compliance with the applicable laws and regulations. This includes updating the Board on the Listing Requirements, circulars from Bursa Securities and other legal and regulatory developments and their impact on the Group and its business.

The Company Secretaries attend all Board and Committee meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

Deliberations during the Board and Board Committees meetings were properly minuted and documented by the Company Secretaries. Upon conclusion of the meetings, minutes are circulated to all the Board members to ensure that the minutes reflect accurate records of the deliberations and decisions at the meetings.

The Company Secretaries have conducted training to the Board on Companies Act, 2016 and MCCG on 30 May 2017.

4. Information and Support for Directors

The Company Secretaries manage the information flows to the Board at appropriate times in consultation with the Chairman and the MD.

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for informed decision making and effective discharge of the Board's responsibilities.

The Board meets at least once quarterly to review and approve the quarterly results of the Group for announcement. The Board also attends additional meetings to be convened on an ad-hoc basis as and when necessary to consider corporate proposals or business issues that require the urgent decision of the Board. Senior Management are invited to attend the Board meetings where necessary to provide the Board with detailed explanations and clarifications on issues that are being considered during the Board meetings.

The notice of a Directors' meetings are given in writing at least seven (7) days prior to the meeting. The Board's deliberation, in terms of the pertinent issues discussed at the meetings in arriving at the decisions and conclusions thereof in discharging the Board's duties and responsibilities are properly recorded by the Company Secretaries. Board papers and agenda items are to be circulated at least five (5) business days prior to the meeting or such other period as deemed appropriate by the Board.

The Directors may seek advice from the Management on issues pertaining to their respective jurisdictions. The Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from the Management.

As the Group's quarterly results is one of the regular annual schedule matters which is tabled to the Board for approval at the quarterly Board Meetings, memorandum on close period for trading in the Company's securities are circulated to Directors, principal officers and employees who are deemed to be privy to any price-sensitive information in advance whenever the close period is applicable based on the targeted date of announcement of the Group's quarterly results.

The Board has access to the advice and services of the Company Secretaries, who are experienced and capable of carrying out the duties to which the post entails and may upon a written request to the Chairman to obtain independent professional advice at the Company's expense as and when necessary.

5. Clear functions of the Board and Management

The Group acknowledges the pivotal role played by the Board in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board is guided by a Board Charter which sets out the duties and responsibilities of the Board, the Board Committees, and the Management, matters reserved for the Board's decision and those which the Board may delegate to the Board Committees, MD and Management. The Board Charter further defines the respective roles of the Chairman of the Board, MD, Senior Independent Non-Executive Directors and Directors. The Board Charter is available for reference at the Company's website at www.kawanfood.com.

The Board Charter has been established to promote high standards of corporate governance and is designed to provide guidance and clarity for Directors and Management with regard to the role of the Board and its Committees. The Board Charter does not overrule or pre-empt the statutory requirements and other relevant statutes.

The Board will review this Charter from time to time and make necessary amendments as and when necessary to ensure it remains consistent with its objectives and existing regulatory requirements.

6. Matters Reserved for Board's approval

The following matters are specially reserved for the Board's approvals:

- Conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions;
- Material acquisitions and disposition of undertakings and properties not in the ordinary course of business including significant capital expenditures;
- Strategic investments, mergers and acquisitions and corporate exercises;
- Corporate strategic plans;
- Budgets;
- Quarterly and annual financial statements for announcements;
- Monitoring of operating performance;
- Review of the Financial Authority Approving Limits; and
- Risk management policies.

The Board reserves its rights to amend the matters reserved for its decisions.

7. Board Committees

The Board, comprising members with diverse skills, experience and qualifications, recognises the clear distinction of the roles and responsibilities between the Board and the Management. The Board is responsible for the overall strategic direction and leadership of the Group, the adequacy and effectiveness of the Group's risk management and internal control system, and compliance with the relevant laws and regulations. The Management, on the other hand, is responsible for assisting the Board in implementing the policies and procedures adopted by the Board to achieve the Group's objective and in running the Group's day-to-day business operation.

To assist in the discharge of its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

- Nomination Committee ("NC");
- Remuneration Committee ("RC"); and
- Audit Committee ("AC") (overseeing the Risk Management Working Committee)

Each Committee operates its functions within its approved terms of reference by the Board which are reviewed by the Board from time to time and the Board appoints the Chairman and members of each Committee.

The respective Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other Committees delegated with specific authorities to act on their behalf. These Committees operate under approved terms of reference or guidelines, whenever required.

All Board Committees have written terms of reference which is approved by the Board. The respective Chairman of the NC, RC and AC report to the Board accordingly subsequent to the respective Committee meetings.

Authority for the operational management of the Group's business has been delegated to the MD. The MD further delegates its day to day operations to the Management. The Management of each department within the sets of authorities reports directly to the Managing Director.

A brief description of each Director is presented in the profile of Directors on page 38 to 44 of this Annual Report.

8. Code of Conduct and Ethics ("Code")

The Board has formalised and adopted a Code which sets out certain values, principles and standards of good conduct expected of the Directors and employees at work. A copy of the Code can be viewed at the Company's website. The Code will be reviewed from time to time for changes and new developments in the external and internal environment.

This Code is established to promote the corporate culture which engenders ethical conduct that permeates throughout the Company and its subsidiaries. The Code reflects the Company's commitment to integrity, transparency, accountability and self-regulation.

The detailed information can be found in the Company's website at www.kawanfood.com.

9. Whistle Blower Policy

As part of the Company's continuous effort to ensure that good corporate governance practices are being adopted, the Company has established a Whistle Blower Policy to provide a clear line of communication and reporting of concerns for employees at all levels, and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns.

The Company's Whistle Blower Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the Company.

Reporting individual shall report directly to the Head of Department orally or in writing such as using email or existing suggestion box. However, if reporting individual is uncomfortable speaking with the Head of Department, he/she encourages to raise the matter to anyone in management the reporting individual is comfortable in approaching. If the channels have been followed and the reporting individual still has concerns, he/she shall report directly to AC Chairman on any allegations of suspected improper activities – whether received as a protected disclosure, including those relating to financial reporting, unethical or illegal conduct and any employment-related concerns.

The AC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action.

The detailed information can be found in the Company's website at www.kawanfood.com.

10. Sustainability

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success.

The Company will formalise a Sustainability Policy which aims to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and Senior Management are involved in implementation of this process and procedures, review the sustainability performance and create a culture of sustainability within the Company, and the community, with emphasis on integrating the environmental, social and governance considerations into decision making process and the delivery of outcomes.

11. Board Composition

During financial year under review, the Board comprises the following Directors:

Chairman

Gan Thiam Chai

Non-Independent Executive Directors

Timothy Tan Heng Han
Gan Thiam Hock
Kwan Sok Kay

Non-Independent Non-Executive Directors

Nareshchandra Gordhandas Nagrecha
Abdul Razak Bin Shakor

Senior Independent Non-Executive Directors
Chen Seng Chong

Independent Non-Executive Directors
Lim Hun Soon @ David Lim
Lim Peng @ Lim Pang Tun
Dr Nik Ismail Bin Nik Daud

The Board has ten (10) members, comprising an Executive Chairman, three (3) Non-Independent Executive Directors, two (2) Non-Independent Non-Executive Directors, a Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The profile of the Directors is set out on page 38 to 44 of this Annual Report.

The composition of the Board has complied with the Listing Requirements of Bursa Securities which requires at least two Directors or one-third (1/3) of the Board members of the Company, whichever is higher, are independent.

The MCGG recommends that at least half of the Board comprises Independent Directors. The Board has six (6) Non-Executive Directors, of whom four (4) are Independent Non-Executive Directors. With the current composition, the Board believes that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively, objectively and independently as follows:

i) The Board believes the current composition with four (4) independent directors is sufficient as they contribute to Board's deliberations objectively and independently.

ii) There are robust deliberations during Board and Committee meetings as they do not shy away from asking hard questions or request more information where necessary.

iii) All Directors on the Board have gained extensive experience with their many years of experience on boards of other companies and/or also as professionals in their respective fields of expertise.

The Directors also bring external perspectives to the Board's deliberations through their diverse backgrounds and experiences, enabling them to put in place necessary checks and balances, contributing to Board decision making.

The Board concluded that the members have appropriate background, experience, skills and knowledge to lead the Company. Furthermore, the Board believes that the composition of four (4) Executive Directors and six (6) Non-Executive Directors is appropriate. Nevertheless, the Board, through the NC, reviews the composition of the Board, continues to search for candidate(s) and core competencies of all Directors.

The MCGG also recommends that if the Board intends to retain an Independent Director for more than nine (9) years, the Board must justify and seek shareholders' approval. If the Board continues to retain the Independent Director after the twelve years, the Board should also seek annual shareholders' approval.

Accordingly, the Board has considered the independence of Mr Lim Peng @ Lim Pang Tun as follows:

At the upcoming Fourteenth Annual General Meeting to be held on 31 May 2018 ("14th AGM"), Mr Lim Peng @ Lim Pang Tun has served more than twelve (12) years and agreed to be retained as Independent Non-Executive Director. The Board, via NC has assessed and recommended Mr Lim Peng @ Lim Pang Tun to remain as an Independent Director of the Company based on the following justifications:

a. he fulfilled the criteria under the definition of Independent Director as stated in the Listing Requirements of Bursa Securities, and therefore is able to bring independent and objective judgments to Board's deliberations;

b. his experience enables him to provide the Board with a diverse set of experience, expertise, skills and competence;

c. he has been with the Company for long and therefore understand the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at RC, NC, AC and Board meetings;

d. he has contributed sufficient time and efforts and attended all the RC, NC, AC and Board meetings for informed and balanced decision making; and

e. he has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

The Board is satisfied that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interest of the Company. In view thereof, the approval of the shareholders of the Company will be sought for the retention of Mr Lim Peng @ Lim Pang Tun as Independent Non-Executive Director at the forthcoming AGM of the Company.

Mr Chen Seng Chong who retires pursuant to Article 80 of the Articles of Association of the Company has expressed his intention not to seek re-election at the forthcoming AGM of the Company.

12. Nomination Committee

During financial year under review, members of the NC are as follows:

Chairman

Lim Peng @ Lim Pang Tun (Independent Non-Executive Director)

Member

Chen Seng Chong (Senior Independent Non-Executive Director)
Nareshchandra Gordhandas Nagrecha (Non-Independent Non-Executive Director)

The NC has three (3) members comprising a Senior Independent Non-Executive Director, an Independent Non-Executive Director and a Non-Independent Non-Executive Director. The NC is chaired by an Independent Non-Executive Director.

The responsibility of the NC in overseeing the selection and assessment of Directors is stipulated in its Term of Reference. The Terms of Reference of the NC is available for reference on the Company website at www.kawanfood.com.

During the financial year under review, there were three (3) NC Meetings held and attended by all the NC Members. The NC undertook the following:

- Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Company's Articles of Association at forthcoming AGM. The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Mr Lim Peng @ Lim Pang Tun and Mr Gan Thiam Hock;
- Reviewed and assessed the independence of Mr Lim Peng @ Lim Pang Tun, who has served the Company as Independent Director for more than twelve years to continue serving as Independent Director and recommended to the Board for consideration;
- Reviewed and discussed the succession planning of the Company;
- Reviewed and discussed the suitable training programmes for continuous development of Directors;
- Reviewed and recommended to the Board for approval, the revised NC's terms of reference in compliance with the latest amendments to the Listing Requirements and the MCCG;
- Assessed the independence of Independent Directors;
- Evaluated the performance and effectiveness of the Board and each individual Director;
- Reviewed and discussed the Board's composition; and
- Reviewed and assessed the AC's activities, performance and terms of office of AC and each of the AC members.

13. Appointments to the Board

The NC reviews the Board Composition, AC and NC to ensure that the Board and the individual Directors have the range of skills, experience, independence, competence and diversity to adhere the sustainability of the Group and good corporate governance practice.

The NC is also responsible for assessing the nominees and making recommendations for new appointments to the Board considering the following:

- Skills, knowledge, expertise and experience;
- Professionalism;
- Boardroom diversity (including gender diversity);
- Background, character, competence, time commitment and integrity; and
- In the case of candidates for the position of Independent Non-Executive Directors, the candidates' ability to discharge such responsibilities is also evaluated.

In identifying candidates for appointment of Directors, the Board solely relies on recommendations from NC, existing Board members, Management or major shareholders. During financial year under review, the recruitment consultancy services are not required as there were no changes in the composition of the Board.

The Board may consider utilising independent sources such as directors' registry, advertisement or recruitment agency to identify qualified candidates when necessary.

14. Diversity Policy

The Board is committed to provide fair and equal opportunities and to nurture diversity (including gender, age and ethnicity) within the Group. The candidates for future Board appointments will be considered, taking into account, a range of diversity perspectives, including gender, cultural, competency, skills, character, time commitment, integrity and experience of which the selected candidates will bring to the Board. The actual decision as to who should be nominated will be the responsibility of the full Board after considering the recommendations of the NC. The Company Secretaries will ensure that all appointments are properly made; all the necessary information is obtained as well as all legal and regulatory obligations are met.

Diversity plays an important aspect in ensuring more efficient decision makings for the Board. This is clear from the Board's diverse skill sets, backgrounds, experience as well as differences in cultural and gender. With the current composition, the Board believes that its members have the necessary knowledge, experience, requisite range of skills and competence to enable them to discharge their duties and responsibilities effectively. All Directors on the Board have gained extensive experience with their many years of experience on Boards of other companies and/or also as professionals in their respective fields of expertise. There are no changes to the Board composition during the year under review.

During the year under review, the Board has one (1) female Non-Independent Executive Director which accounts for 10% of the Board members. The NC will take steps to include, where appropriate, women candidates as a part of the Board's recruitment exercise.

The Board will report annually in the Annual Report on Board's diversity and monitor the implementation of this policy.

15. Board Evaluation and Re-election of Directors

The NC is responsible for carrying out assessment of the performance and effectiveness of the Board as a whole, its committee as well as each individual Director on an annual basis. The annual assessment includes specific assessment of independence of Independent Directors.

An evaluation form to assess the performance of the Board, its committees and the individual directors is provided with the aim of improving the effectiveness of the Board and its members. The evaluation forms were drafted based on the recommended form prescribed by Bursa Securities and MCCG that relates to the Board structure, operations, roles and responsibilities, Board's composition and assessment of character, experience, integrity, competence and time commitment of each Directors. The review was led by the NC Chairman.

During the financial year under review, the review was conducted by NC and led by the NC Chairman, and observed by two of the NC members, Mr Chen Seng Chong and Mr Nareshchandra Gordhandas Nagrecha.

The NC reviewed the results of the Board annual performance evaluation for the financial year under review and held a meeting for discussion on such matter. Following the meeting, the NC produced a report, which was discussed among the NC members and sent to Board members for discussion at the following Board meeting. The results together with the recommendations arising from the evaluations were discussed in the Board meeting.

Based on the results of the 2017 evaluation, the overall Directors' view was that the Board was functioning effectively. Each of the Directors was making contribution and commitment including time to their respective roles.

The NC considered the re-election of the Directors prior to their recommendations to the Board for approval.

Pursuant to Section 205(3)(b) of the Companies Act, 2016 and the Company's Articles of Association, one-third of the Directors for the time being shall retire from office at each AGM. A retiring Director shall be eligible for re-election. The Company's Articles of Association also provides that all Directors shall retire at least once in three years.

Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next AGM held following their appointments.

Accordingly, Mr Lim Peng @ Lim Pang Tun and Mr Gan Thiam Hock will retire and offer themselves for re-election at the forthcoming AGM.

All Directors have complied with the restrictions on the number of directorships in public listed companies as prescribed under the Listing Requirements. The Directors observe the recommendation of the MCCG that they are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

16. Time Commitment

During the financial year ended 31 December 2017, the Board met five (5) times, with details of the attendance as follows:

Name of Directors	No. of Board Meetings Attended
Gan Thiam Chai Non-Independent Executive Chairman	**5/5**
Timothy Tan Heng Han Managing Director	**5/5**
Gan Thiam Hock Non-Independent Executive Director	**5/5**
Kwan Sok Kay Non-Independent Executive Director	**5/5**
Nareshchandra Gordhandas Nagrecha Non-Independent Non-Executive Director	**4/5**
Abdul Razak Bin Shakor Non-Independent Non-Executive Director	**4/5**
Chen Seng Chong Senior Independent Non-Executive Director	**5/5**
Lim Hun Soon @ David Lim Independent Non-Executive Director	**5/5**

Name of Directors	No. of Board Meetings Attended
Lim Peng @ Lim Pang Tun Independent Non-Executive Director	**5/5**
Dr Nik Ismail Bin Nik Daud Independent Non-Executive Director	**5/5**

Director shall devote sufficient time to carry out their responsibilities. Directors shall notify the Chairman before accepting any new directorships and the notification shall provide for an indication of time that will be spent on the new appointment.

Save for Mr Lim Hun Soon @ David Lim and Dr Nik Ismail bin Nik Daud, the Directors do not have directorship in any other listed companies. As for Mr Lim Hun Soon @ David Lim and Dr Nik Ismail Bin Nik Daud, both of them have complied with the Listing Requirements of Bursa Securities that they do not hold more than five (5) directorships in listed companies.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling the roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings.

17. Board Training and Development

The Board, via the NC, assesses the training needs of each of its Directors on an ongoing basis, by determining areas that would best strengthen their contributions to the Board.

All the Directors of the Company have attended the Mandatory Accreditation Programme. New Directors will be briefed on the Company's history, operations and financial control system and plant visit to enable them to have in-depth understanding of the Company's operations. The Senior Management had also briefed the Directors on general economic, industry and technical developments from time to time.

The Directors are encouraged to attend continuous education programme and seminars to keep abreast of relevant changes in laws and regulations and the development in the industry. During the financial year ended 31 December 2017, the training programmes and seminars attended by the Directors are as follows:

Directors	Courses/Seminars/Conferences
Gan Thiam Chai	• Riding the Wave of National Transformation – Surf of Slide • Companies Act, 2016 & Malaysian Code on Corporate Governance 2017 • Risk Management – Approach & Methodology
Timothy Tan Heng Han	• Companies Act, 2016 & Malaysian Code on Corporate Governance 2017 • National Seminar on Food Innovation and Global Trends • Digital Transformation • Global Leadership Summit • Malaysia Trade & Export Finance Conference 2017 • Sustainability Engagement Series • Risk Management - Approach & Methodology • Companies Act, 2016 & Malaysia Code of Corporate Governance 2017 • FMM National Export Conference 2017: Essential Strategies for Global Expansion
Gan Thiam Hock	• Companies Act, 2016 & Malaysian Code on Corporate Governance 2017
Kwan Sok Kay	• Riding the Wave of National Transformation – Surf of Slide • Companies Act, 2016 & Malaysian Code on Corporate Governance 2017 • Risk Management – Approach & Methodology

Directors	Courses/Seminars/Conferences
Chen Seng Chong	• Review of Bursa Malaysia Main Market and Ace Market Listing Requirements Arising from Implementation of Companies Act, 2016 • Companies Act, 2016 & Malaysian Code of Corporate Governance • How to Engage and Enthuse beyond Compliance with Environmental, Social and Governance Sustainability • Training on Risk Management – Approach and Methodology
Lim Peng @ Lim Pang Tun	• Proposed Amendments to Bursa's Listing Requirements: Dialogue & Discussion • Companies Act, 2016 & Malaysian Code of Corporate Governance 2017
Dr Nik Ismail Bin Nik Daud	• Malaysia Companies Act, 2016 workshop • Risk Management workshop • JAKIM Training of Trainers workshop • MIFT Seminar on Food Safety – Current Changes & Updates • Malaysia – Taiwan Business Forum, Taiwan • International Symposium on Future Opportunities for Food Industry in Malaysia, Taiwan • Asean Food Conference 2017, Vietnam • Companies Act, 2016 & Malaysian Code of Corporate Governance 2017
Lim Hun Soon @ David Lim	• Common Reporting Standard (CRS) Training for Directors • Focus Group Session: Discussion in Preparation for Dialogue with BNM's Senior Management • MFRS 9: Board of Directors and Board Audit Committee Status Update • Compliance Conference 2017 • Companies Act, 2016 – Key Changes and Implications to Board • Cyber Security Workshop 2017: Cyber Security Essential for Board of Directors of Capital Market Intermediaries • FIDE Forum – 3rd Distinguished Board Leadership Series: Cryptocurrency & Blockchain Technology, Viewpoints of an Entrepreneur • MFRS 9: Status Update • AMLATFPUAA 2001: Risk Challenges & Vulnerabilities Towards Risk Based Approach • Half Day Talk to Directors and Senior Management in Affin Group • Affin Hwang Capital Conference Series 2017: Opportunities Amidst Geopolitical Shifts • FIDE Forum – 2nd Securities Commission: Leveraging Technology For Growth • Half Day Talk: The Implication of MFRS 9 on Business Strategy & Cybersecurity Risk Implications • Companies Act, 2016 & Malaysian Code of Corporate Governance 2017
Nareshchandra Gordhandas Nagrecha	• Building Business Relationship • Finance Foundations • Merger and Acquisition Foundation • Companies Act, 2016 & Malaysian Code of Corporate Governance 2017
Abdul Razak Bin Shakor	• Risk Management – Approach & Methodology • Malaysian Insurance Institute Senior Route Fellowship Programme • MINDA Conference – RSOG International Directors Summit • Change Affecting Directors Under the Companies Act, 2016

The Directors will continue to attend relevant training courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

The Company Secretaries facilitate the organisation of internal training programmes and keep Directors informed of relevant external training programmes. The Company Secretaries also circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board quarterly on these updates at Board meetings.

18. Remuneration Committee and Remuneration Policies and Procedures

The objective of the Group is to ensure that the Group attracts and retains Directors and Senior Management of calibre to provide the necessary skills and experience as required and commensurate with the responsibilities for the effective management and operations of the Group. The Company does not have a consolidated policy to determine the remuneration of Directors and Senior Management. The Board is guided by the present remuneration practices and procedures to determine their remuneration. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of the Directors.

The Company has a separate guideline to determine the remuneration for Directors and Senior Management and are in the process of codifying a corporate policy for Senior Management and Directors as a whole.

During financial year under review, members of the RC are as follows:

Chairman

Gan Thiam Hock (Non-Independent Executive Director) (Resigned with effect from 10 April 2018)
Dr Nik Ismail Bin Nik Daud (Independent Non-Executive Director) (Appointed on 10 April 2018)

Members

Chen Seng Chong (Senior Independent Non-Executive Director)
Lim Peng @ Lim Pang Tun (Independent Non-Executive Director)
Lim Hun Soon @ David Lim (Independent Non-Executive Director)

The RC has four (4) members comprising a Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors.

The duties and responsibilities of the RC are as follows:

(a) To recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors in all its forms. The determination of remuneration packages of Executive Directors and Non-Executive Directors, should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration;
(b) To assist the Board in assessing the responsibility and commitment undertaken by the Board membership; and
(c) To assist the Board in ensuring the remuneration of the directors reflects the responsibility and commitment of the director concerned.

During the financial year under review, the RC convened two (2) meetings, of which all members attended.

The remuneration packages for the Executive Directors comprise basic salary, benefits-in-kind ("BIK") and bonus. The basic salaries are reviewed annually taking into account a number of factors, including individual responsibilities, performance and experience, and practice at other companies of similar size. Bonus is determined based on performance against financial performance and objectives. To ensure that the overall remuneration package is competitive, Executive Directors receive other BIK in the form of company car and car allowances.

Each of the Director receives a directors' fee and meeting allowance for each Board and general meetings that they attend. The level of Directors' fee reflects their experience and level of responsibilities. Chairman of the AC, RC, NC receives higher fees in respect of his service as a Chairman of respective committee. The Directors will receive an additional fee if they are members of the Board Committee. The fees for Directors are determined by the Board with approval from shareholders at AGM.

In respect of the financial year under review, the RC had reviewed the remuneration for the Executive Directors, which reflects the level of risk, responsibility as well as the performance of the Company and considered the packages are well within the industry norm. The RC had also reviewed the fees and BIK for Executive Directors and Non-Executive Directors, which reflects the experience and level of responsibilities undertaken by the individual Executive Directors and Non-Executive Director concerned.

The aggregate Directors' remuneration for the year ended 31 December 2017 are as follows:

	Fees RM'000	Salaries RM'000	Bonus RM'000	Allowances, EPF and other RM'000	BIK RM'000	Total RM'000
Executive Directors						
Gan Thiam Chai	110	642	264	103	28	1,147
Gan Thiam Hock	71	476	196	80	17	840
Kwan Sok Kay	60	374	154	63	17	668
Timothy Tan Heng Han	60	374	154	63	17	668
Total	**301**	**1,866**	**768**	**309**	**79**	**3,323**
Non-Executive Directors						
Lim Peng @ Lim Pang Tun	82	–	–	17	–	99
Chen Seng Chong	82	–	–	17	–	99
Nareshchandra Gordhandas Nagrecha	61	–	–	8	–	69
David Lim Hun Soon @ David Lim	111	–	–	14	–	125
Abdul Razak bin Shakor	60	–	–	5	–	65
Dr Nik Ismail bin Nik Daud	70	–	–	6	–	76
Total	**446**	**–**	**–**	**67**	**–**	**533**

Below set out the remuneration in bands of the top five (5) Senior Management as at 31 December 2017.

RM100,000 to RM200,000	1
RM200,001 to RM300,000	2
RM300,000 to RM400,000	1

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee ("AC")

During financial year under review, the AC comprises three (3) Independent Non-Executive Directors. Further details of the AC members' experience and qualifications are set out in profile on the Board of Directors on page 38 to 44. The varied backgrounds of the AC members and their broad experience, knowledge and expertise from various industries allow them to discharge their duties effectively.

Both the AC Chairman and an AC member are qualified MIA members with relevant financial experiences in accounting and auditing. Collectively, all the AC members are financially literate and have knowledge and understanding of the matters under the purview of the AC including the principles and developments of financial reporting.

All the AC members receive training and continuous professional developments set out in this statement on page 58 to 59.

The composition of the AC, including its roles and responsibilities are set out in page 66 to 68 under the AC Report in this Annual Report.

2. External Auditors

Independence and Effectiveness

The Board upholds the integrity of financial reporting. The AC is entrusted to provide advice and assistance to the Board in fulfilling its statutory and fiduciary responsibilities relating to the Company's Internal and External Audit functions, risk management and compliance systems and practice, financial statements, accounting and control systems and matters that may significantly impact the financial condition or affairs of the business. The AC is also responsible in ensuring that the financial statements of the Company comply with the applicable financial standards in Malaysia.

The AC members reviewed the Company's financial statements in the presence of External Auditors prior to recommending them for the Board's approval and issuance to stakeholders.

The Board recognised the value of an effective AC in ensuring that the Company's financial statements are reliable source of financial information by establishing procedures, via the AC.

The AC is responsible to monitor the performance, objectivity and independence of the External Auditor. The AC acknowledges that it is important to maintain an open communication between the Board, the Internal and External Auditors to ensure audit independence and effectiveness.

The AC reviewed the scope of the audit set out in the audit planning memorandum, work plan, areas of audit emphasis, fee proposal, issues arising from the audit and their resolution, audit judgements, level of errors identified during the audit and recommendations made by the External Auditors in order to fulfil its responsibility for assessing the external audit process.

The AC meets with the External Auditors without presence of the Executive Board members and management twice a year to discuss key issues within their responsibilities. In addition, the External Auditors are invited to attend the Company's AGM and are available to attend questions from the shareholders.

The Board recognised the value of an effective AC in ensuring that the Company's financial statements are reliable source of financial information by establishing procedures, via the AC.

In safeguarding and supporting External Auditors' independence and objectivity, the Company has established an External Auditors Assessment Policy on 27 February 2018 to spell out the selection process of new External Auditors, basic principles on the prohibition of non-audits services and the approval process for the provision of non-audit services.

The non-audit fee incurred for the financial year ended 2017 was RM2,500. The Board is satisfied that the non-audit services during the year by External Auditors does not affect the auditor's independence.

The AC reviews annually the appointment of the auditor taking into account the effectiveness and independence of External Auditors and ensure that other non-audit works will not be in conflict with the functions of the auditors. To review and assess the independence and effectiveness of the External Auditors, the AC completes an External Auditor evaluation form on the performance of the assigned audit team on an annual basis. Following the review, the AC, together with the feedback from the management, makes recommendation to the Board.

3. Auditors Appointment

The Board was of view that the objectivity and independence of the External Auditors are not in any way impaired by reason of the non-audit services provided to the Group.

The External Auditors have confirmed in writing that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the MIA. In compliance with the MIA requirements, the lead partner is rotated every five (5) years to ensure independence.

4. Sound Risk Management and Internal Control

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and the effectiveness of risk management of the Company.

The AC assists the Board in discharging these responsibilities by overseeing and reviewing the risk management framework and the effectiveness of risk management of the Company.

The AC processes are designed to establish a proactive framework and dialogue in which the AC, the Management and the External and Internal Auditors review and assess the risk management framework. The Risk Management Working Committee reports to the AC quarterly.

Details on the risk management and internal control system of the Group are set out in the Statement on Risk Management and Internal Control of this Annual Report.

5. Internal Audit Function

The Group has outsourced the Internal Audit function to a professional service firm which is independent of the activities and operations of the Group. The outsourced Internal Auditors report directly to the AC. Details on the Internal Audit function are set out in the AC Report and the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Integrity In Corporate Reporting

1. Directors' Responsibility Statement

The Board is required to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable prudent judgement and estimates, adopted to include new and revised MFRSs where applicable, in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2017. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

2. Appropriate Corporate Disclosure Policies and Procedures

The Group is committed to a policy which provides accurate, balanced, clear, timely and complete disclosure of corporate information to enable informed orderly market decisions by investors.

Importance is also placed on timely and equal dissemination of material information to the stakeholders, media and regulators. In this respect, the Group has in place a Corporate Disclosure Policy to ensure comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders.

3. Communications with Stakeholders

The Board recognises the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders through various means.

During the financial year, the Company responded to requests for meetings from both existing and potential shareholders. The Company meets with analysts, institutional fund managers, shareholders and potential investors to allow shareholders and other stakeholders to better understand the Company's operations, performance and strategy direction and future prospects.

Significant matters relating to development of the business, reporting requirements etc. are disseminated by way of announcements via Bursa Securities and press releases. Interim and full results are announced in a mandatory period.

The Company's website, www.kawanfood.com provides equal access to the shareholders, investors and the public to obtain information on the Company's press releases, corporate information, operation activities, financial results and other information regarding the Group. The website also provides investor relations contact to facilitate response to stakeholders' queries.

The Company also attends queries from shareholders via post, telephone or email.

4. Leverage on information Technology for Effective Dissemination of Information

The Company has established a website at www.kawanfood.com from which shareholders as well as members of the public may access the latest information on the operations and activities of the Group as well as the information required by Bursa Securities.

The Company ensures timely release of the financial results on a quarterly basis to provide an overview of the Group's performance and operations to its shareholders. The Company also makes timely announcements for the information of its shareholders and the general public of any corporate maneuvers in accordance with the Listing Requirements.

5. General Meetings

The last AGM was held on 31 May 2017 at 10.00 a.m. in Petaling Jaya. The AGM is the principal forum for dialogue with shareholders. AGM provides an opportunity for shareholders to understand the financial and operational performance of the Company and to ask questions of the Chairman, other Directors and key management.

Notice of AGM sets out the resolutions together with the Company's Annual Report was sent to shareholders at least twenty-eight (28) days prior to the meeting to provide shareholders with sufficient time for considerations and to make informed decisions. Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf.

Shareholders' meeting are important events for the Board to meet the shareholders. The Chairman allocates sufficient time to encourage the shareholders, proxies and the corporate representatives to ask questions pertaining to the matters tabled at general meetings or voice any concerns. The Board, Senior Management and the Company's External Auditors are present at the meetings to answer questions raised and provide clarification as required by the shareholders, proxies and corporate representatives.

Poll Voting

The Board noted that pursuant to Paragraph 8.29A of Listing Requirements, the Company must ensure that any resolution set out in the Notice of any general meeting is to be voted by poll. The Company has implemented poll voting for all resolutions via electronic means in 2017.

The Board will continue to adopt poll voting for all resolutions set out in the Notice of the AGM of which the votes cast will be validated by an independent scrutineer. The outcome of all resolutions proposed at the AGM is to be announced to Bursa Securities at the end of the meeting day while a summary of the key matters discussed at the AGM shall be published on the Company's website as soon as practicable after the conclusion of the AGM.

This Statement was approved by the Board on 9 April 2018.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Audit Committee Report

The objective of the Audit Committee ("AC") is to assist the Board of Directors ("Board") in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the AC shall:
(a) Oversee and appraise the quality of the audits conducted both by the Company's Internal and External Auditors;
(b) Maintain open lines of communication between the Board, the Internal and the External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
(c) Determine the adequacy of the Group's administrative, operating and accounting controls.

Members

The AC comprises the following members:

Name	Designation	Directorship
Lim Hun Soon @ David Lim*	Chairman	Independent Non-Executive Director
Chen Seng Chong	Member	Senior Independent Non-Executive Director
Lim Peng @ Lim Pang Tun*	Member	Independent Non-Executive Director

**Member of the Malaysian Institute of Accountants ("MIA").*

The terms of reference of the AC is available for reference on the Company's website at www.kawanfood.com.

Details of Attendance at AC Meetings During the Financial Year Ended 31 December 2017

Number of AC Meetings held for the financial year: Five (5)
Attendance of the AC members are shown below:

Committee Members	Number of Meetings Attended during Their Tenure in Office
Lim Hun Soon @ David Lim	5/5
Chen Seng Chong	5/5
Lim Peng @ Lim Pang Tun	5/5

Meetings of the AC are attended by the Managing Director, Directors, Financial Controller and other individuals deems appropriate upon invitation. Managers, Internal and External Auditors also attended the meetings upon invitation to present reports as required for the AC to discharge its duties.

Summary of Works

During the financial year, the AC had carried out its duties and responsibilities in accordance with its terms of reference. The works of the AC were summarised as per below:

a. Financial Reporting Results

- Reviewed the quarterly financial statements and the final audited financial statements before recommending to the Board for consideration and approval prior to release to Bursa Malaysia Securities Berhad ("Bursa Securities").

b. External Audit

- Assessed the External Auditors' findings in relation to audit and accounting issues arising from the audit of the Group's financial statements and updates on the changes in the reporting of financial statements as at 31 December 2017.

- Reviewed the Audit Planning Memorandum with the External Auditors.
- Reviewed the independence, objectivity and effectiveness of the External Auditors and the services provided, including non-audit services and corresponding fees.
- Reviewed and recommended the re-appointment of External Auditors and the Audit Fees to the Board for its approval.
- Reviewed the report of the External Auditors, Messrs. Cheng & Co.
- Discussed the audit strategy and plan with the External Auditors.
- Conducted two (2) private sessions with the External Auditors in the absence of the Executive Directors and Management to ensure there were no restrictions and the scope of their audit is in line with the Malaysian Code on Corporate Governance.

c. Internal Audit

- Examined the findings of the Internal Auditors and management's response.
- Reviewed the adequacy of the scope, function, competency and resources of the Internal Audit functions;
- Monitored the implementation of mitigating actions by Management on outstanding issues on a quarterly basis to ensure that all key risks and control weaknesses were properly and timely addressed.
- Private meetings with the Head of Internal Audit for discussions on audit related matters and activities of the Internal Audit Department without the presence of Management.
- Reviewed the Key Performance Indicators, performance, competency and resources of the Internal Audit function to ensure that it has the required expertise and professionalism to discharge its duties.
- Discussed the audit strategy and plan with the Internal Auditors.

d. Risk Management and Internal Control

- Overseeing the Group's system of internal control and the risk management. The AC continues to monitor and review the effectiveness of the system of control and risk management with the support of the Internal Auditor and Risk Management Working Committee.

e. Related Party Transaction

- Reviewed the related party transactions entered into by the Company and the disclosure of such transaction in the Annual Report of the Company;

f. Compliance

- Reviewed the Terms of Reference of the AC to be in line with the Malaysian Code on Corporate Governance prior to the recommendation to the Board for adoption.
- Reviewed the Corporate Governance Overview Statement, AC Report and Statement on Risk Management and Internal Control prior to submission to the Board for consideration and approval for inclusion in the Annual Report 2017.
- Reported to the Board on significant issues and concerns discussed during the AC meetings together with applicable recommendations. Minutes of the AC meetings were tabled and noted by the Board.
- Reviewed the Management Discussion and Analysis for the financial year ended 31 December 2017.

Internal Audit Function

The Internal Audit function of the Company has been outsourced to Messrs Axcelasia Columbus Sdn. Bhd., an independent professional firm, which assists the AC in discharging its duties and responsibilities. The Internal Audit is undertaken by a team of independent qualified executives and is led by the Internal Audit Director. The lead audit director in charge of the engagement, who is a Chartered Member of the Institute of Internal Auditors Malaysia; a member of the MIA and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, acts independently with due professional care and reports directly to the AC.

During the financial year under review, the Internal Audit function carried out the following:

a) Executed internal control reviews in accordance with the approved risk based Internal Audit plan. The business processes reviewed are as follows:

- Procurement, including assessments on new and existing suppliers
- Inventory Management
- Credit Management
- Sales and Marketing including contracts review
- Information System Management including IT Security and Disaster Recovery Plan
- Fixed Assets Management
- Human Resource Management
- Accounting Journey Vouchers
- Policies and Procedures
- Overseas operation

b) Performed follow-up review to ensure that corrective actions have been taken in a timely manner.

The results of the above mentioned work carried out by the Internal Audit function were tabled to the AC at their scheduled meetings.

The cost incurred for the Internal Audit function of the Group in respect of the financial year ended 31 December 2017 amounted to RM94,500.

An overview of the state of internal control within the Company is set out in the Statement on Risk Management and Internal Control on page 70 to 76.

Additional Compliance Information pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest which were still subsisting as at the end of the financial year ended or which were entered into since the end of the previous financial year (not being contracts entered into in the ordinary course of business) except as disclosed below and in Notes 31 to the financial statements under "Related Parties" on page 147 to 148 of this Annual Report.

AUDIT AND NON-AUDIT FEES

During the financial year ended 31 December 2017, the amount of audit and non-audit fees paid and payable by the Company and the Group to the External Auditors are as follows:

	Company (RM)	Group (RM)
Audit services rendered	40,000	227,056
Non-audit services rendered	2,500	2,500
Total	**42,500**	**229,556**

UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposals during the financial year ended 31 December 2017.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE OR TRADING NATURE

At the Thirteenth Annual General Meeting held on Wednesday, 31 May 2017, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature. The disclosure of the recurrent related party transactions conducted during the financial year ended 31 December 2017 is set out on page 147 of the Annual Report.

Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("Board") is pleased to provide the Statement on Risk Management and Internal Control which outlines the nature and scope of its risk management and internal controls of the Group during the financial year ended 31 December 2017. This statement has been prepared pursuant to paragraph 15.26 (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibilities for establishing and maintaining a sound risk management and internal control system and for reviewing its adequacy and integrity.

As there are inherent limitations in any risk management and internal control systems, the systems effected by Management are designed to reduce the severity of material risks to manageable levels and reduce the severity of major risks rather than eliminate risks, that may impede the achievement of the Group's business objectives. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

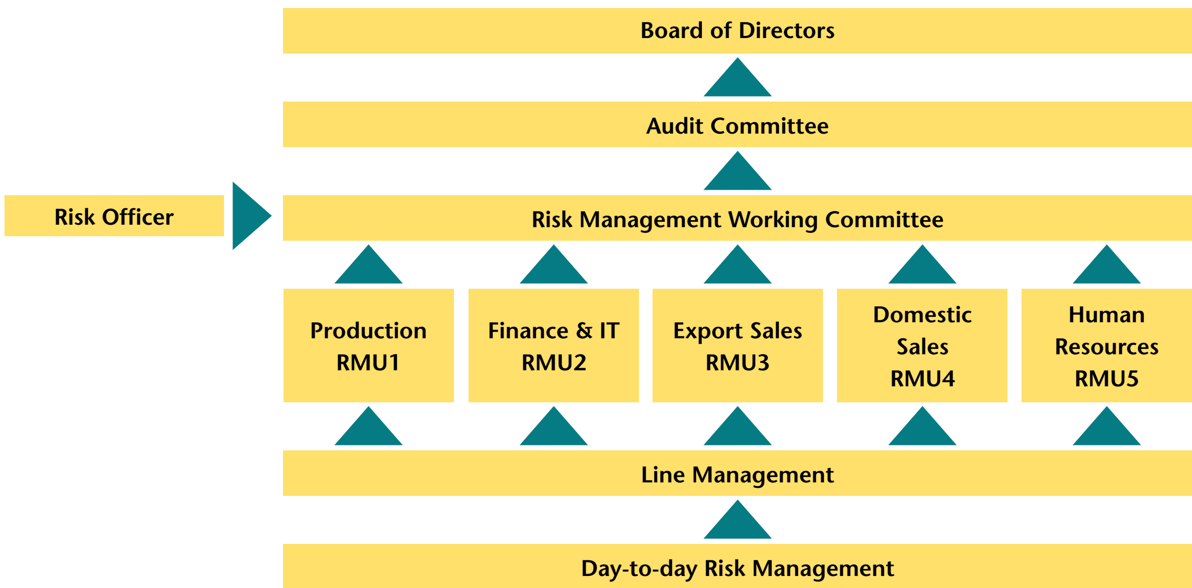
The Group's risk management and internal control systems do not include jointly controlled company as the Group does not have management control over the entity. However, the Group's interest in this entity are served through representation of the jointly controlled company on the Board.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

1. Risk Management

The Board has established a structured Risk Management Framework as an approach for continuous identification, assessment, treatment, monitoring and review of risks. The Group adopts the three lines of defence in implementing the risk management. The Group's framework is embedded within the business culture and systems as part of business operations.

The parties involved in the risk management process comprise the following:



The roles and responsibilities of the various parties are as follows:

Board of Director

The Board as a whole is responsible for the Group's risk management system, for reviewing its effectiveness.

The Board sets the tone and culture towards effective risk management by identifying and monitoring the material risks, setting risk appetite and determining risk tolerance of the Group.

Audit Committee ("AC")

Under delegation from the Board, the AC monitors the Group's risk management system and overseeing the effectiveness of the processes.

Quarterly, the AC meets with the Risk Officer who provides the AC the Group's risk management reports on the RMWC's key findings on key risks, mitigating controls together with updates on progress of the status of risk management in the Group.

The AC monitors the processes, reviews the risk register and reports the key items discussed at the AC meetings to the Board.

Risk Management Working Committee ("RMWC")

The RMWC comprises the Managing Director and head of departmental units from production, finance & IT, export sales, domestic sales and human resources, meets quarterly to review the effectiveness of the current risk management processes.

The overall risk profile is reviewed on quarterly basis by RMWC. Departmental heads provide their inputs, sharing their view of key risks and activities in place or planned that mitigate them.

The RMWC also maintains a risk register which set out the nature, risk levels, treatment and control of the material risks faced by each department and the Group as a whole. The risks are prioritised in accordance to the risks level. The risk register is used to facilitate the identification and assessment of material risks in each department and the Group as well as to ensure that there are appropriate controls in place. The Group's material risks identified are summarised in table as set out on page 72 to 73 of this statement.

The appointed Risk Officer presents the updated risk register to the AC.

Risk Management Unit ("RMU")

The RMU is established at departmental level. Each of the RMU determines the risk assessment process to identify, evaluate and manage the risks they face. The respective heads are responsible to assess the changes to the existing and new risks and to determine the risk treatments and controls to manage the risks.

The risks from each RMU are shared with the respective heads who present their risks to the RMWC.

Line Management

Each department has managers who are responsible to assess risks for the department and report to their heads. Each individual department teams identify the principal significant and potential risks associated with their respective department and ensure that risk management controls are implemented within the operations.

Risk Assessment Process

The Group's Risk Management Framework are set out as follows:

STRATEGIC OBJECTIVES

Risk identification

- Identify new risks and changes that affect existing risks faced by each department and the Group as a whole.

Risk analysis

- Assess the consequences and the likelihood of occurrence of risks.

Risk evaluation & response

- Determine the significance of each of the risks and risk level.
- Address the risk by implementing action plans/controls to monitor, mitigate and minimise the risk exposures.

Risk monitoring and review

- Monitor the effectiveness of risks controls.
- Review the material risks and risk levels and that there are appropriate controls in place for the activities and the controls are understood and followed.

The above mentioned risk management activities of the Group is an on-going process. This process has been in place for the year under review and up to the date of approval of this statement.

In FY2017, the RMWC met three times to deliberate on the risk assessments and the corresponding treatment plans. The appointed Risk Officer provided the AC the risk management reports at their scheduled meetings.

2. Material Risks

The Group's material risks identified and the mitigating measures for the FY2017 are outlined below:

Risk	Description	Mitigation
Regulatory and Standard Management	• Failure to meet statutory/regulatory requirements, food safety management system on HALAL, British Retail Consortium ("BRC"), Occupational Safety and Health Administration ("OSHA") and MOH MS1480 HACCP certification could have an adverse impact on the Group's business and reputation.	• Conduct regular internal audit by Food Safety Committee Members. • Monitor suppliers' compliance via their latest HALAL certificate. • Provide training for new committee members. • Closely monitor and update committee members on the latest updates on respective regulations.
Human Resource Management	• The Group is currently growing and undergoing significant changes. The success and future growth of the Group depends on attracting and retaining competent employees. • Failure to attract and retain employees in meeting future business needs could have a material adverse effect on our business.	• Career development plan is established to identify competency requirements across the Group and equipped employees with necessary skills via trainings. • Revisit and review the terms and benefits of employment in-line with the relocation of factory.

Risk	Description	Mitigation
Information Technology Management	• Extensive use of IT to support our business operation may expose the Group to cyber threats such as viruses and loss of data. • Failure or inadequacy of IT in safeguarding its infrastructure, security, applications and/or computer operations could result in the loss of critical information, business disruption and potential loss of business and competitive edge that have significant impact on the business.	• Implementation of password protected logon procedures. • Installation of firewall protection and anti-virus software. • Back up data stored in a secure off-site premise. • Monitor software licenses in compliance with regulatory requirements.
Key Customer Relationship	• Our key customer contributed more than 10% of our sales. • Loss of this key customer could result in a material impact on the result.	• Continue to focus on wider range of customers and exploration of other geographic markets.
Quality Control Management	• Failure to maintain consistency in product quality may affect our earnings, business operations, brand and reputation.	• Implement reward and penalty program. • Strict adherence to the Group's operation management system. • Conduct the Group's wide training programmes.
Sabotage/ Malicious Actions	• The large volume and range of food that the Group produces may be at risk to adulteration through malicious actions due to integrity issues and/or breach of trust. • This could have a material impact on both reputational and financial of the Group.	• Grievance policy in place. • Communicate with our staffs on the consequences and impose penalties. • Installation of additional CCTV at storage and critical production area. • Whistleblowing policy which includes disciplinary action against committing improprieties and illegal acts and protection to whistleblower.
Operational Costs	• The Group's margin could be affected by higher operational costs such as raw material costs, labour costs etc. In addition, labour costs are significant and could have a material effect with changes in government policies. • Our inability to pass the costs to our customers would affect our business.	• Focus on process and cost improvements to manage these risks.

3. Internal Audit Function

The Group's Internal Audit function assists the Board and AC by providing an independent assessment of the adequacy and effectiveness of the Group's internal control system.

The Group's Internal Audit function, which reports directly to the AC, is outsourced to Axcelasia Columbus Sdn Bhd. The Engagement Director is Mr Mah Siew Hoong who has diverse professional experience in Internal Audit, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditor (USA) and has a Certification in Risk Management Assurance (USA).

The number of staff deployed for the Internal Audit reviews ranges from 4 to 5 staff per visit including the Engagement Director. The staff involved in the Internal Audit reviews possesses professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The Internal Audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the Internal Audit reviews were conducted using a risk based approach and were guided by the International Professional Practice Framework.

During the financial year under review, a summary of the activities carried out by the Internal Audit function are as follows:

(a) Prepared the risk based Internal Audit plan for the review and approval of the AC.

(b) Carried out reviews in accordance with the risk based Internal Audit plan reviewed and approved by the AC. Details of the reviews carried out are as follows:

Entity	Business Processes
Group Wide	Review of Recurrent Related Party Transactions
Kawan Food Manufacturing Sdn Bhd	Sales and Marketing, Credit Control and Collection, Human Resource Management and Procurement
Kawan Food (Nantong) Co., Ltd.	Fixed Asset Management, Management of Information System, Inventory Management and Procurement

Findings from the Internal Audit reviews conducted were discussed with Senior Management and subsequently presented, together with Management's response and proposed action plans, to the AC for their review and approval. The outsourced Internal Audit function also carries out follow up reviews and reports to the AC on the status of implementation of action plans committee by Management pursuant to the recommendations highlighted in the Internal Audit reports.

Notwithstanding the above, although a number of internal control deficiencies were identified during the Internal Audit reviews, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

The total professional fees paid for the outsourcing of the Internal Audit function for the financial year ended 31 December 2017 was RM94,500.

In addition, the Internal and External Auditors met with the AC on 24 February 2017 and 21 November 2017 without the executive members of the board and management team being present to discuss audit related matters.

4. Internal Control System

- **The Board and AC**
  The Board and AC met five times during the financial year to monitor and review the adequacy and effectiveness of the internal control system (which covers material controls including financial, operational and compliance controls).

- **Organisation Structure & Authorisation Procedures**
  The Group has a formally defined organisation structure with defined lines of accountability. The delegation of authorities is documented and sets out matters specifically reserved for Board's approval and those matters delegated to the management. These covers key financial, investments, capital and operating expenditures.

- **Annual Budget and Financial Projections**
  An annual budget and three year financial projections were prepared by management and tabled to the Board for approval which will be used to monitor against actual performance.

- **Group Policies and Procedures**
  Documented policies and procedures are in place and are regularly reviewed and updated to ensure its relevance and continue to support the Group's business activities at all times as the Group continues to grow.

- **Human Resource Policy**
  Comprehensive guidelines on employment are in place to ensure that the Group has a team of employees who are well trained and equipped with all the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

- **Whistleblowing Policy**
  The Group has put in place a whistleblowing policy to enable employees to report suspected or known malpractices, misconducts or wrongdoings within the Group. The policy on whistleblowing is available on the Group's website.

- **Information and Communication**
  Effective communication of critical information to the achievement of the Group's business objectives through clear reporting lines are established across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- **Monitoring and Review**
  Scheduled Operations Committee Meetings are held by the management to review and evaluate management and corporate issues that have impact on the Group or its stakeholders. Detailed management accounts containing key financial results and operational performance are reviewed and monitored by the management team. Quarterly financial statements are presented to the Board for their review, consideration and approval.

- **External Certifications**
  As part of the safety initiatives, the Group continue to work towards maintaining BRC, HALAL and Occupational Health and Safety Assessment ("OHSAS") certifications.

  All our manufacturing sites are subject to independent thirty party audits under BRC Global Standard for Food Safety undertaken by Lloyd's Register Quality Assurance ("LRQA").

  BRC specifies the safety, quality and operational criteria required to be placed within a food manufacturing organisation to fulfil obligations regarding legal compliance and protection of the consumers. The format and content of the standard are designed to allow an assessment of a company's premises, operational systems and procedures by a competent third party – the certification body – against the requirements of the standard.

  MS 1480:2007 (First Revision) is a Malaysia food safety standard which describes the requirements for food safety according to Hazard Analysis and Critical Control Points ("HACCP") system to ensure the safety of foodstuffs during preparation, processing, manufacturing, packaging, storage, transportation, distribution, handling or offering for sale or supply in any sector of the food chain.

  We have also been awarded MS1480 certification which is internationally recognised, that enables the Group to expedite the issuance of health certificate without end product testing.

  In FY2017, the Group has been added to the HALAL 'White List" by Malaysian Islamic Development Department ("JAKIM") for HALAL fast track application which allows JAKIM to expedite the issuance of HALAL certificate within three (3) days but the Group will be subject to ad-hoc audits from time to time to ensure compliance to the system.

  Internal audits were also carried out by internal and external third parties to ensure compliance with these standards.

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITOR

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad's Main Market Listing Requirement, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the FY2017 Annual Report. Their review was performed in accordance with recommended Practice Guide (RPG) 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all material respect, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Directors of Listed Issuers to be set out, nor is factual inaccurate.

CONCLUSION

The Managing Director and Financial Controller have provided assurance to the Board that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

The Board is of the view that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require separate disclosure in the Group's Annual Report. Nevertheless, the Board shall continue to take the appropriate and necessary measures to improve the Group's risk management and internal controls systems in meeting the Group's corporate objectives.

This statement was approved by the Board on 9 April 2018.

Statement on Directors' Responsibility

The Board of Directors is required under Paragraph 15.26(a) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining the Board's responsibility in preparing the annual financial statements.

In preparing the annual financial statements of the Company and the Group, the Directors are collectively responsible to ensure that these financial statements have been properly drawn up in accordance with the applicable approved Malaysian Financial Reporting Standard issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 2016 ("the Act") so as to give a true and fair view of the financial position of the Company and the Group at the end of the financial year and the financial performance and cash flows of the Company and the Group for the year then ended.

In preparing the financial statements for the year ended 31 December 2017, the Directors have:

i) adopted appropriate accounting policies and applied them consistently;
ii) made judgements and estimates that are reasonable and prudent;
iii) prepared financial statements on the going concern basis; and
iv) ensured applicable accounting standards have been followed, subject to any material departure and explained in the financial statements.

The Directors have responsibility for ensuring that the proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 9 April 2018.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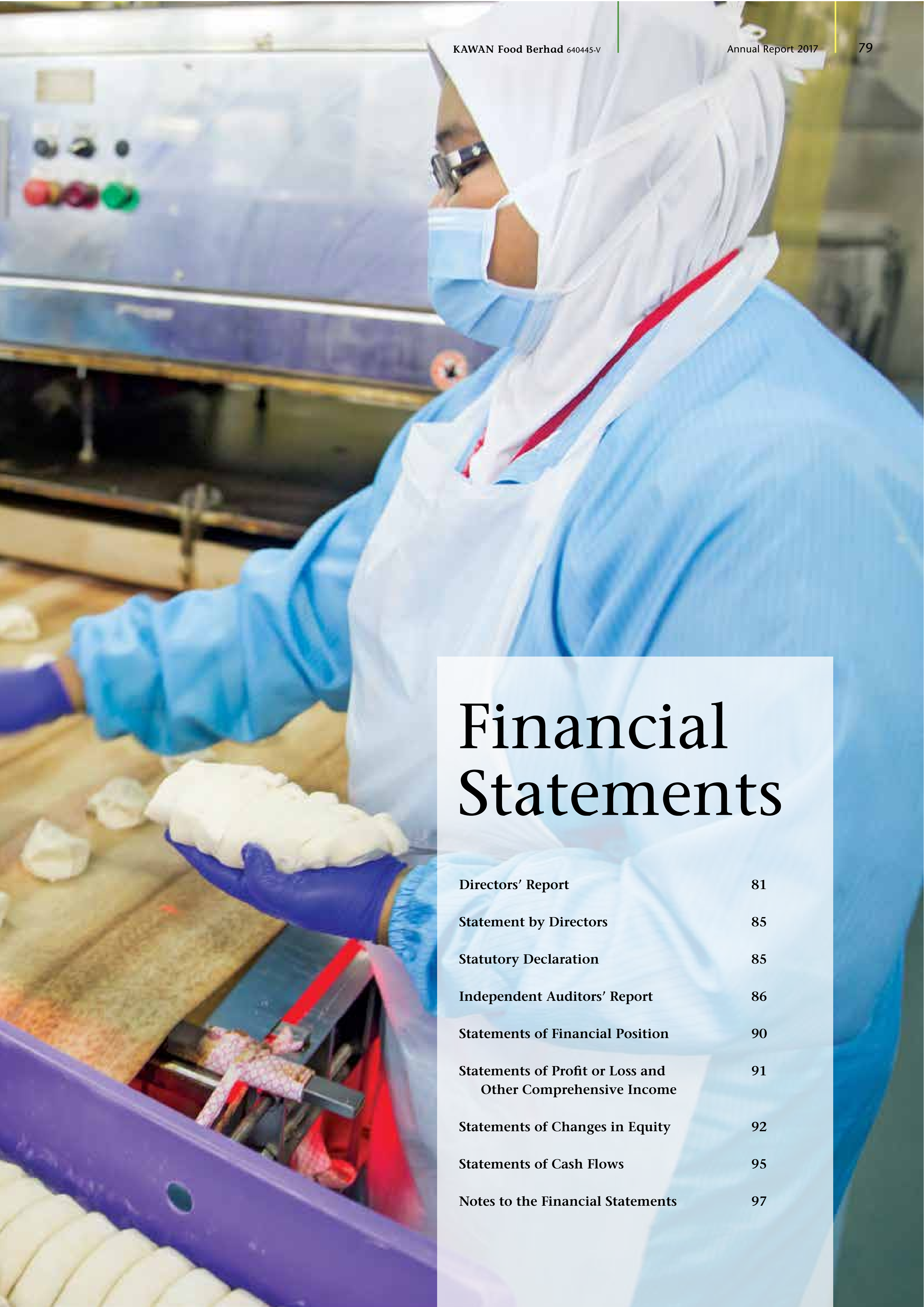

Financial Statements

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 7 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

RESULTS

	Group	Company
	RM	RM
Net profit for the financial year attributable to:		
Owners of the Company	29,106,471	4,558,086

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company declared and paid an interim single tier dividend of 2.5 sen per ordinary share totaling RM6,740,999 in respect of the financial year ended 31 December 2017 on 31 March 2017.

The Directors do not recommend any final dividend to be paid for the financial year under review.

DIRECTORS

Directors who have held office since the date of the last report are:

Gan Thiam Chai
Timothy Tan Heng Han
Gan Thiam Hock
Kwan Sok Kay
Nareshchandra Gordhandas Nagrecha
Chen Seng Chong
Lim Hun Soon @ David Lim
Lim Peng @ Lim Pang Tun
Abdul Razak Bin Shakor
Dr Nik Ismail Bin Nik Daud

DIRECTORS' INTERESTS

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016, are as follows:

	Number of ordinary shares				
	At 1.1.2017	**Bought**	**Bonus Issue**	**Sold**	**At 31.12.2017**
The Company					
Direct interests					
Gan Thiam Chai	60,402,992	5,390,000	21,931,256	-	87,724,248
Timothy Tan Heng Han	101,250	-	33,750	-	135,000
Gan Thiam Hock	16,000,200	-	5,333,400	-	21,333,600
Kwan Sok Kay	12,408,729	-	4,136,243	-	16,544,972
Chen Seng Chong	476,250	-	158,750	-	635,000
Lim Peng @ Lim Pang Tun	337,500	-	112,500	-	450,000
Lim Hun Soon @ David Lim	7,595,021	-	1,865,007	(2,000,000)	7,460,028
Deemed interests					
Gan Thiam Chai	290,362	3,585,700	96,787	-	3,972,849
Timothy Tan Heng Han	290,362	3,585,700	96,787	-	3,972,849
Kwan Sok Kay	290,362	3,585,700	96,787	-	3,972,849
Nareshchandra Gordhandas Nagrecha	56,892,500	-	16,945,600	(6,055,700)	67,782,400

By virtue of their substantial interests in the shares of the Company, Gan Thiam Chai and Nareshchandra Gordhandas Nagrecha are also deemed interested in the shares of the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at 31 December 2017 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or fixed salaries of a full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors, and the spouse of a Director and children of certain Directors who have significant financial interests in companies which traded with certain companies within the Group in the ordinary course of business as disclosed in Note 31 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REMUNERATION

Directors' remuneration is disclosed in Note 30 to the financial statements.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company are RM20,000,000 and RM26,266 respectively.

ISSUE OF SHARES AND DEBENTURES

The issued and paid-up ordinary share capital of the Company was increased from RM134,819,910 to RM179,759,880 during the financial year through the bonus issue of 89,879,940 ordinary shares. These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

On 31 January 2017, the Companies Act, 2016 in Malaysia became effective and rendered the par value regime no longer applicable. This has resulted in the Company's share capital no longer having par value and the authorised share capital no longer relevant at the date of the report.

The Company has not issued any debentures during the financial year.

OPTION GRANTED OVER UNISSUED SHARES

No options have been granted to any parties to take up unissued shares of the Company during the financial year.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no bad debts to be written off and that no allowance for doubtful debts is required; and
(b) to ensure that any current assets which were unlikely to realise their values in the ordinary course of business as shown in the accounting records of the Group and of the Company had been written down to their estimated realisable values.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render it necessary to write off of bad debts or the making of allowance for doubtful debts in the financial statements of the Group and of the Company; or
(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
(c) which have arisen and render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
(b) any contingent liability of the Group and of the Company which has arisen since the end of financial year.

In the opinion of the Directors:

(a) other than those disclosed in Note 32 to the financial statements, no contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.
(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 19 to the financial statements.

LIST OF DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253 of the Companies Act, 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report are:

Gan Thiam Chai
Gan Thiam Hock
Kwan Sok Kay
Zalipah Binti Zakaria
Lau Wing Hon

SUBSEQUENT EVENTS

Significant events subsequent to the reporting date are disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, Messrs. Cheng & Co, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Gan Thiam Chai
Director

Gan Thiam Hock
Director

Selangor,
Date: 9 April 2018

Statement By Directors *(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016)*

We, Gan Thiam Chai and Gan Thiam Hock, being two of the Directors of Kawan Food Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 90 to 149 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Gan Thiam Chai
Director

Gan Thiam Hock
Director

Selangor,
Date: 9 April 2018

Statutory Declaration *(PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016)*

I, Teoh Soon Tek, being the officer primarily responsible for the financial management of Kawan Food Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements of the Company set out on pages 90 to 149 are correct and I made this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at
Puchong in the State of Selangor Darul Ehsan
on

Before me,

Teoh Soon Tek
Officer

Independent Auditors' Report to the Members of Kawan Food Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kawan Food Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 90 to 149.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conducts and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matter to be communicated in our report.

Additions of Property, Plant and Equipment

Refer to page 114, Note 4 to the financial statements

Area of focus	How the scope of our audit addressed the area of focus
We focused on this area because the Group invested significant amount of property, plant and equipment. During the year, the Group purchased property, plant and equipment amounting to RM36,464,099. In view of significant amount involved, we have checked the accuracy of the recording and the existence of these assets.	To address this risk, the following audit procedures have been undertaken: - We have performed necessary primary substantive testing to verify these additions during the year; and - We have also performed physical sighting and obtained business rationale on all major additions of property, plant and equipment.

Independent Auditors' Report to the Members of Kawan Food Berhad | *continued*

Report on the Audit of the Financial Statements | *continued*
Key Audit Matters | *continued*

Revenue Recognition

Area of focus	How the scope of our audit addressed the area of focus
Revenue is one of the largest accounts in the financial statements and an important driver of the Group's operating results. We assessed the risk of material misstatement in respect of revenue recognition to be high and therefore identified it as an area of audit focus. Specifically, we focused our audit efforts to determine that the revenue are fairly stated.	Our audit procedures included, among others: - Assessed internal control procedures over timing and amount of revenue recognition; - Performed test of control; - Run through the relevant ledger to ensure no unusual or material item; - Run through the sales invoices and performed cut-off test to ensure all the invoices are in running sequence and revenue are recognised in the correct period; - Inspected documents which evidenced the delivery of goods to customers; - Performed substantive test; - Check the reasonableness of the foreign exchange rate used.

Information Other Than the Financial Statements and Auditors' Report Thereon
The Directors of the Company are responsible for the other information. The other information comprises the other information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements
The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report to the Members of Kawan Food Berhad | *continued*

Report on the Audit of the Financial Statements | *continued*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In accordance with the requirement of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters
This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

CHENG & CO
AF: 0886
Chartered Accountants

YAP PENG BOON
02118/12/2018 (J)
Chartered Accountant

Kuala Lumpur,
Date: 9 April 2018

Statements of Financial Position *As at 31 December 2017*

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	**230,809,766**	201,634,421	-	-
Investment properties	5	**2,539,157**	2,613,423	-	-
Prepaid lease payments	6	**3,114,167**	3,317,239	-	-
Investment in subsidiaries	7	-	-	**59,643,110**	62,289,985
Deferred tax assets	9	**406,670**	277,664	-	-
Trade and other receivables	10	-	-	-	4,936,250
		236,869,760	207,842,747	**59,643,110**	67,226,235
Current assets					
Other investments	11	**871,591**	1,167,716	-	-
Inventories	12	**15,210,068**	12,909,270	-	-
Current tax assets		**2,767,208**	929,797	**61,274**	21,200
Trade and other receivables	10	**49,209,264**	48,518,579	**104,085,341**	93,973,870
Prepayments		**244,698**	169,144	**15,251**	11,005
Cash and cash equivalents	13	**62,785,272**	80,439,204	**19,692,899**	24,459,715
		131,088,101	144,133,710	**123,854,765**	118,465,790
Total assets		**367,957,861**	351,976,457	**183,497,875**	185,692,025
EQUITY AND LIABILITIES					
Equity					
Share capital	14	**179,759,880**	134,819,910	**179,759,880**	134,819,910
Reserves	15	**129,039,994**	156,613,288	**3,683,662**	50,806,545
Total equity		**308,799,874**	291,433,198	**183,443,542**	185,626,455
Liabilities					
Non-current liabilities					
Loans and borrowings	16	**16,603,132**	20,225,634	-	-
Deferred tax liabilities	9	**1,199,190**	290,936	-	-
		17,802,322	20,516,570	-	-
Current liabilities					
Loans and borrowings	16	**7,760,460**	3,622,501	-	-
Trade and other payables	17	**33,134,075**	34,956,515	**54,333**	65,570
Current tax liabilities		**461,130**	1,447,673	-	-
		41,355,665	40,026,689	**54,333**	65,570
Total liabilities		**59,157,987**	60,543,259	**54,333**	65,570
Total equity and liabilities		**367,957,861**	351,976,457	**183,497,875**	185,692,025

The accompanying notes form an integral part of these financial statements

Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Revenue	18	**196,282,105**	186,948,060	**5,000,000**	5,000,000
Cost of sales		**(112,041,593)**	(99,143,422)	**-**	-
Gross profit		**84,240,512**	87,804,638	**5,000,000**	5,000,000
Other income		**3,309,434**	3,606,943	**1,975,800**	1,767,722
Selling and distribution expenses		**(31,836,910)**	(33,600,007)	**-**	-
Administrative expenses		**(19,982,905)**	(16,820,494)	**(7,520,670)**	(1,071,666)
Profit/(loss) from operating activities		**35,730,131**	40,991,080	**(544,870)**	5,696,056
Finance income	20	**710,293**	983,100	**6,119,625**	5,350,498
Finance costs	21	**(387,735)**	(434,486)	**(1,310)**	(213)
Profit before tax	19	**36,052,689**	41,539,694	**5,573,445**	11,046,341
Income tax expense	22	**(6,946,218)**	(8,558,077)	**(1,015,359)**	(854,555)
Net profit for the year		**29,106,471**	32,981,617	**4,558,086**	10,191,786
Other comprehensive income, net of tax:					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	23	**(4,998,796)**	1,077,795	**-**	-
Total comprehensive income for the year		**24,107,675**	34,059,412	**4,558,086**	10,191,786
Net profit attributable to owners of the Company		**29,106,471**	32,981,617	**4,558,086**	10,191,786
Total comprehensive income attributable to owners of the Company		**24,107,675**	34,059,412	**4,558,086**	10,191,786

		2017	2016
		sen	sen
Earnings per ordinary share:			
Basic	24	**8.10**	13.25

Statements of Changes in Equity *For the financial year ended 31 December 2017*

		Attributable to owners of the Company	
		Non-distributable	
		Share capital	**Share premium**
Group	**Note**	**RM**	**RM**
At 1 January 2016		104,838,773	11,751,235
Net profit for the financial year		-	-
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		-	-
Contributions by and distributions to owners			
- issuance of shares pursuant to warrant conversion	14	29,981,137	25,783,778
- dividends to owners of the Company	25	-	-
At 31 December 2016/1 January 2017		134,819,910	37,535,013
Net profit for the financial year		-	-
Other comprehensive income for the financial year		-	-
Total comprehensive income for the financial year		-	-
Contributions by and distributions to owners			
- bonus issue	14	44,939,970	(37,535,013)
- dividends to owners of the Company	25	-	-
At 31 December 2017		179,759,880	-

		Distributable	
	Translation reserve	Retained earnings	Total equity
	RM	RM	RM
	13,905,904	86,309,711	216,805,623
	-	32,981,617	32,981,617
	1,077,795	-	1,077,795
	1,077,795	32,981,617	34,059,412
	-	-	55,764,915
	-	(15,196,752)	(15,196,752)
	14,983,699	104,094,576	291,433,198
	-	29,106,471	29,106,471
	(4,998,796)	-	(4,998,796)
	(4,998,796)	29,106,471	24,107,675
	-	(7,404,957)	-
	-	(6,740,999)	(6,740,999)
	9,984,903	119,055,091	308,799,874

Statements of Changes in Equity *For the financial year ended 31 December 2017*

		Non-distributable		*Distributable*	
		Share capital	Share premium	Retained earnings	Total equity
Company	**Note**	**RM**	**RM**	**RM**	**RM**
At 1 January 2016		104,838,773	11,751,235	18,276,498	134,866,506
Total comprehensive income for the financial year		-	-	10,191,786	10,191,786
Contributions by and distributions to owners					
- issuance of shares pursuant to warrant conversion	14	29,981,137	25,783,778	-	55,764,915
- dividends to owners of the Company	25	-	-	(15,196,752)	(15,196,752)
At 31 December 2016/1 January 2017		134,819,910	37,535,013	13,271,532	185,626,455
Total comprehensive income for the financial year		-	-	4,558,086	4,558,086
Contributions by and distributions to owners					
- bonus issue	14	44,939,970	(37,535,013)	(7,404,957)	-
- dividends to owners of the Company		-	-	(6,740,999)	(6,740,999)
At 31 December 2017		179,759,880	-	3,683,662	183,443,542

Statements of Cash Flows *For the financial year ended 31 December 2017*

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash flows from operating activities					
Profit before tax		**36,052,689**	41,539,694	**5,573,445**	11,046,341
Adjustments for:					
Amortisation for prepaid lease payments	6	**79,850**	82,931	**-**	-
Depreciation of investment properties	5	**53,060**	53,495	**-**	-
Depreciation of property, plant and equipment	4	**6,047,699**	6,425,901	**-**	-
Dividend income		**-**	(9,181)	**(5,000,000)**	(5,000,000)
Finance income	20	**(710,293)**	(983,100)	**(6,119,625)**	(5,350,498)
Interest expense		**160,106**	24,669	**-**	-
Loss on disposal of property, plant and equipment	19	**87,433**	16,701	**-**	-
Net impairment (gain)/loss on financial assets		**(179,200)**	464,800	**-**	-
Unrealised foreign exchange differences		**1,371,188**	(1,355,575)	**5,280,168**	(1,763,329)
Operating profit/(loss) before working capital changes		**42,962,532**	46,260,335	**(266,012)**	(1,067,486)
Changes in working capital:					
Inventories		**(2,300,798)**	(3,516,765)	**-**	-
Trade and other receivables, prepayments and other financial assets		**(1,313,759)**	(9,104,312)	**(2,121,023)**	(31,356,120)
Trade and other payables		**(1,047,873)**	6,628,010	**(11,237)**	(507,162)
Cash generated from/(used in) operations		**38,300,102**	40,267,268	**(2,398,272)**	(32,930,768)
Dividend received		**-**	-	**5,000,000**	5,000,000
Income tax paid		**(9,210,876)**	(8,693,513)	**(1,209,834)**	(896,475)
Income tax refund		**193,666**	243,426	**154,401**	-
Net cash from/(used in) operating activities		**29,282,892**	31,817,181	**1,546,295**	(28,827,243)

Statements of Cash Flows *For the financial year ended 31 December 2017* | *continued*

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
Cash flows from investing activities					
Acquisition of property, plant and equipment, net of interest capitalised		**(35,539,428)**	(55,496,291)	-	-
Proceeds from disposal of property, plant and equipment		**119,104**	267,051	-	-
Dividend income from quoted share		-	9,181	-	-
Finance income from deposits		**710,293**	983,100	**427,888**	916,042
Change in pledged fixed deposits		-	(1,189,700)	-	-
Changes in investment in unit trusts		**475,325**	1,172,833	-	-
Net cash (used in)/from investing activities		**(34,234,706)**	(54,253,826)	**427,888**	916,042
Cash flows from financing activities					
Dividends paid to owners of the Company	25	**(6,740,999)**	(15,196,752)	**(6,740,999)**	(15,196,752)
Proceeds from issuance of shares		-	55,764,915	-	55,764,915
Repayment of loans and borrowings		**(3,320,626)**	(2,583,710)	-	-
Drawdown of loans and borrowings		**4,445,155**	-	-	-
Finance costs on loans and borrowings	21	**(1,084,777)**	(1,085,904)	-	-
Net cash (used in)/from financing activities		**(6,701,247)**	36,898,549	**(6,740,999)**	40,568,163
Net (decrease)/increase in cash and cash equivalents		**(11,653,061)**	14,461,904	**(4,766,816)**	12,656,962
Effect of exchange rate fluctuation on cash held		**(6,000,871)**	2,959,214	-	-
Cash and cash equivalents at 1 January		**80,439,204**	63,018,086	**24,459,715**	11,802,753
Cash and cash equivalents at 31 December	13	**62,785,272**	80,439,204	**19,692,899**	24,459,715

Notes to the Financial Statements *For the financial year ended 31 December 2017*

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company is located at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan, Malaysia.

The Company is principally engaged in investment holding activities, whilst the principal activities of its subsidiaries are as stated in Note 7 to the financial statements. There have been no significant changes in the nature of the activities during the financial year.

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in a jointly controlled entity. The financial statements of the Company as at and for the year ended 31 December 2017 do not include other entities.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 April 2018.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

On 1 January 2017, the following amended MFRSs are mandatory for annual financial periods beginning on or after 1 January 2017:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

The Directors expect that the adoption of the amended MFRSs above will have no material impact on the financial statements in the period of initial application.

The Group has not adopted the following standards that have been issued but not yet effective:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- *Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

2. BASIS OF PREPARATION | *continued*

(a) Statement of compliance | *continued*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Directors expect that the adoption of the standards above will have no material impact to the financial statements in the period of initial application except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 addresses the classification, recognition, derecognition, measurement and impairment of financial assets and financial liabilities, as well as general hedge accounting. It replaces MFRS 139. MFRS 9 requires financial assets to be classified into two measurement categories, i.e. at fair value and at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to changes in an entity's own credit risk is recorded in other comprehensive income, unless this creates an accounting mismatch. MFRS 9 contains a new impairment model based on expected losses (as oppose to 'incurred loss' model under MFRS 139), i.e. a loss event need not occur before an impairment loss is recognised, which will result in earlier recognition of losses.

The management expects the financial impact of adopting MFRS 9 for both classification of financial assets and financial liabilities and impairment assessment of financial assets will not be material on the Group's financial position and performance for the financial year ended 31 December 2017.

MFRS 15, *Revenue from Contracts with Customers*

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) Identify the contracts with a customer;
(ii) Identify the performance obligation in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations in the contract;
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The followings MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:
(1) MFRS 111, *Construction Contracts*
(2) MFRS 118, *Revenue*
(3) IC Interpretation 13, *Customer Loyalty Programmes*
(4) IC Interpretation 15, *Agreements for the Construction of Real Estate*
(5) IC Interpretation 18, *Transfers of Assets from Customers*
(6) IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*

The management expects the financial impact of adopting MFRS 15 will not be material on the Company's financial performance for the year ended 31 December 2017.

2. BASIS OF PREPARATION | *continued*

(a) Statement of compliance | *continued*

MFRS 16, Leases

Currently under MRFS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases but not operating leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position, and recording or certain leases as off-balance sheet leases will no longer be allowed except for some limited exemptions. For a lessee that has material operating leases, the application of MFRS 16 may result in significant increase in assets and liabilities reported on its statement of financial position as compared with MFRS 117.

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the impact to the financial statements upon adopting MFRS 16, and will adopt MFRS 16 on the mandatory effective date.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed under the accounting policies as mentioned in Note 3.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM unless otherwise stated.

(d) Significant accounting judgements and estimates

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the Directors' assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. The Directors have assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, the Directors concluded that the functional currency of the entities of the Group is their respective local currency.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

2. BASIS OF PREPARATION | *continued*

(d) Significant accounting judgements and estimates | *continued*

Key sources of estimation uncertainty | *continued*

(i) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. The Directors estimate the useful lives of these property, plant and equipment to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment is disclosed in Note 4.

(ii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The value in use calculation is based on a discounted cash flow model. The Directors estimate the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the non-financial assets are disclosed in Notes 4, 5, 7 and 8 respectively.

(iii) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of loans and receivables is disclosed in Note 27(a).

(iv) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

The carrying amount of current tax assets at 31 December 2017 is RM2,767,208 (2016: RM929,797) and RM61,274 (2016: RM21,200) of the Group and of the Company, respectively.

The carrying amount of current tax liabilities at 31 December 2017 is RM461,130 (2016: RM1,447,673) of the Group.

The carrying amount of deferred tax assets and liabilities are disclosed in Note 9.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, as set out below, are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning as at 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and of the Company.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures goodwill at the acquisition date as:

(a) the fair value of the consideration transferred; plus
(b) the recognised amount of any non-controlling interests in the acquiree; plus
(c) if the business combination is achieved in stages, the fair value of the existing equity interests in the acquiree; less
(d) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(a) Basis of consolidation | *continued*

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Jointly-controlled entities

Jointly controlled entities are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted joint ventures, after adjustments, if any, to align the accounting policies with those of the Group, from the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted joint venture, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the joint venture.

Investments in joint ventures are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale or distribution.

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(b) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR in equity.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the financial statements when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(c) Financial instruments | *continued*

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated as effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investment category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (Note 3(j)(i)).

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(c) Financial instruments | *continued*

(ii) Financial instrument categories and subsequent measurement | *continued*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and
- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “administrative expenses” respectively in profit or loss.

(ii) Subsequent cost

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(d) Property, plant and equipment | *continued*

(iii) Depreciation | *continued*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Leasehold land is amortised over the remaining lease periods ranging from 57 to 80 years. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Apartments	50 years
Motor vehicles	10 years
Furniture, fittings and office equipment	5 to 10 years
Plant and machineries	10 years
Renovation	10 years
Signage	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(f) Goodwill

Goodwill arises on business combinations are measured at cost less any accumulated impairment losses. In respect of joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the joint venture.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are measured at cost are accounted for similarly to property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised on disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal.

The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings and over the remaining lease periods of 77 years for leasehold land. Freehold land is not depreciated.

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the fair value is estimated by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand, demand deposits, and short term, highly liquid investments that are readily convertible to known amount of cash with insignificant risk of changes in value.

(j) Impairment

(i) Financial asset

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries and jointly controlled entity) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(j) Impairment | *continued*

(ii) Other assets

The carrying amount of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (groups of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group’s contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary business is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's and the Company's right to receive payment is established.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) Finance income

Finance income is recognised as it accrues using the effective interest method in profit or loss except for finance income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(p) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amount of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, and for the effects of all dilutive potential ordinary shares, which comprise warrants.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. An operating segment’s operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES | *continued*

(s) Contingent liabilities

Where it is not probable that an outlow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM	Buildings RM	Apartments RM	Motor vehicles RM
Cost				
At 1 January 2016	22,801,710	27,329,182	1,102,569	3,852,043
Additions	-	-	-	745,119
Disposals	-	-	-	(490,597)
Effect of movement in exchange rates	-	(483,226)	(14,004)	(21,498)
At 31 December 2016/ 1 January 2017	22,801,710	26,845,956	1,088,565	4,085,067
Additions	-	-	-	905,888
Disposals	-	-	-	(644,218)
Effect of movement in exchange rates	-	(734,014)	(21,272)	(31,368)
Reclassification	-	-	-	-
At 31 December 2017	22,801,710	26,111,942	1,067,293	4,315,369
Accumulated depreciation				
At 1 January 2016	1,697,321	4,136,952	207,004	1,536,926
Charge for the financial year	269,714	527,807	21,048	396,541
Disposals	-	-	-	(206,123)
Effect of movement in exchange rates	-	(60,350)	(2,228)	(16,789)
At 31 December 2016/ 1 January 2017	1,967,035	4,604,409	225,824	1,710,555
Charge for the financial year	269,714	514,044	20,665	406,052
Disposals	-	-	-	(467,058)
Effect of movement in exchange rates	-	(105,435)	(3,767)	(23,653)
At 31 December 2017	2,236,749	5,013,018	242,722	1,625,896
Net carrying amount				
At 31 December 2016	20,834,675	22,241,547	862,741	2,374,512
At 31 December 2017	20,564,961	21,098,924	824,571	2,689,473

Furniture, fittings and office equipment	Plant and machineries	Renovation	Signage	Capital work-in-progress	Total
RM	RM	RM	RM	RM	RM
3,642,041	45,167,623	4,957,319	39,800	78,127,151	187,019,438
159,004	265,954	-	-	55,387,449	56,557,526
(6,500)	(23,000)	-	-	-	(520,097)
(32,627)	(456,577)	-	-	-	(1,007,932)
3,761,918	44,954,000	4,957,319	39,800	133,514,600	242,048,935
308,660	1,480,447	23,742	-	33,745,362	36,464,099
(67,027)	(43,992)	-	-	-	(755,237)
(57,871)	(694,671)	-	-	-	(1,539,196)
-	1,718,102	-	-	(1,718,102)	-
3,945,680	47,413,886	4,981,061	39,800	165,541,860	276,218,601
2,013,241	21,541,615	3,333,612	33,744	-	34,500,415
464,392	4,274,890	469,619	1,890	-	6,425,901
(6,499)	(22,999)	-	-	-	(235,621)
(18,306)	(178,508)	-	-	-	(276,181)
2,452,828	25,614,998	3,803,231	35,634	-	40,414,514
449,518	3,930,073	455,802	1,831	-	6,047,699
(47,761)	(33,881)	-	-	-	(548,700)
(38,059)	(333,764)	-	-	-	(504,678)
2,816,526	29,177,426	4,259,033	37,465	-	45,408,835
1,309,090	19,339,002	1,154,088	4,166	133,514,600	201,634,421
1,129,154	18,236,460	722,028	2,335	165,541,860	230,809,766

4. PROPERTY, PLANT AND EQUIPMENT | *continued*

(a) Land

The lands are wholly related to leasehold land with unexpired lease period of more than 50 years.

(b) Apartments

The strata title for apartments with net carrying amount of RM177,519 (2016: RM182,507) have yet to be issued to a subsidiary.

(c) Security

Buildings with net carrying amount of RM19,971,369 (2016: RM5,516,499) are charged to licensed banks for banking facilities granted to subsidiaries (Note 16).

Leasehold land with net carrying amount of RM19,026,941 (2016: RM20,834,675) have been charged to licensed banks for banking facilities granted to a subsidiary (Note 16).

5. INVESTMENT PROPERTIES

	Group	
	2017	**2016**
	RM	**RM**
Cost		
At 1 January	**3,386,598**	3,402,571
Effect of movement in exchange rates	**(24,263)**	(15,973)
At 31 December	**3,362,335**	3,386,598
Accumulated depreciation		
At 1 January	**773,175**	721,405
Charge for the financial year	**53,060**	53,495
Effect of movement in exchange rates	**(3,057)**	(1,725)
At 31 December	**823,178**	773,175
Net carrying amount		
At 31 December	**2,539,157**	2,613,423

	Group	
	2017	**2016**
Represented by:	**RM**	**RM**
Freehold land	**78,000**	78,000
Leasehold land with unexpired lease period of more than 50 years	**964,514**	977,275
Buildings	**958,273**	987,251
Apartments	**538,370**	570,897
	2,539,157	2,613,423

5. INVESTMENT PROPERTIES | *continued*

Investment properties comprise two commercial properties and an apartment that are leased to third parties.

The fair value of the investment properties are as follows:

	Group	
	2017	2016
	RM	RM
At 31 December	**14,433,160**	11,981,855

The Group estimates the fair value of its investment properties based on the following key assumptions:
- the comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities; or
- enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

The disclosure of fair value above was measured at the reporting date using the following method:

Significant observable inputs other than quoted prices (Level 2)

The valuation of residential investment property is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Significant unobservable inputs (Level 3)

The valuation of commercial property is based on market comparable approach. The significant unobservable input is yield adjustment based on Directors' assumptions. The yield adjustments are made for any difference in the nature, location or condition of the specific property.

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2017	2016
	RM	RM
Rental income	**465,176**	476,986
Direct operating expenses		
- income generating investment properties	**40,852**	42,996

Investment property of the Group amounting to RM1,712,153 (2016: RM1,747,685) has been charged to a licensed bank for credit facilities granted to a subsidiary (Note 16).

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

6. PREPAID LEASE PAYMENTS

	Group 2017	Group 2016
	RM	RM
Cost		
At 1 January	**4,146,547**	4,247,948
Effect of movement in exchange rates	**(154,027)**	(101,401)
At 31 December	**3,992,520**	4,146,547
Accumulated amortisation		
At 1 January	**829,308**	764,629
Charge for the financial year	**79,850**	82,931
Effect of movement in exchange rates	**(30,805)**	(18,252)
At 31 December	**878,353**	829,308
Net carrying amount		
At 31 December	**3,114,167**	3,317,239
Amount to be amortised:		
- not later than one year	**79,850**	82,931
- later than one year but not later than five years	**319,400**	331,724
- later than five years	**2,714,917**	2,902,584

The prepaid lease payments are wholly related to a leasehold land with unexpired lease period of less than 50 years. The prepaid lease payments are not transferable and have a remaining tenure of 39 (2016: 40) years.

The prepaid lease payments are charged to a licensed bank for a banking facilities granted to a subsidiary.

7. INVESTMENT IN SUBSIDIARIES

	Company 2017	Company 2016
	RM	RM
Unquoted shares - at cost	**35,140,614**	35,140,614
Subsidiary acquired in the financial year	**96,900**	-
	35,237,514	35,140,614
Less: Provision for impairment	**(96,900)**	-
	35,140,614	35,140,614
Capital contribution	**24,502,496**	27,149,371
	59,643,110	62,289,985

7. INVESTMENT IN SUBSIDIARIES | *continued*

Details of subsidiaries are as follows:

Subsidiaries of the Company	Effective ownership interest 2017	2016	Country of incorporation	Principal activities
Kawan Food Manufacturing Sdn. Bhd.	**100%**	100%	Malaysia	Manufacturing and sale of frozen food products
KG Pastry Marketing Sdn. Bhd.	**100%**	100%	Malaysia	Investment property and rental of trucks
Kawan Food Confectionery Sdn. Bhd.	**100%**	100%	Malaysia	Investment holding
Dikawani Foods Sdn Bhd	**51%**	-	Malaysia	Food truck operator
Kawan Food (Hong Kong) Limited*	**100%**	100%	Hong Kong	Trading and distribution of frozen food products
Subsidiary of Kawan Food (Hong Kong) Limited				
Kawan Food (Nantong) Co., Ltd.**	**100%**	100%	The People's Republic of China	Manufacturing and trading of frozen food delicacies

* *Audited by oversea affiliate of Cheng & Co*

** *Not audited by Cheng & Co*

The capital contribution to Kawan Food (Hong Kong) Limited are interest free and are determined to form part of the Company's net investment in the subsidiary, hence are deemed as quasi-equity.

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

8. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	2017	2016
	RM	RM
Unquoted shares - at cost	**100,000**	100,000
Share of post-acquisition reserves	**(100,000)**	(100,000)
	-	-

Details of the jointly controlled entity are as follows:

Jointly controlled entity	Effective ownership interest 2017	2016	Country of incorporation	Principal activities
Hot & Go Management Sdn. Bhd.	**50%**	50%	Malaysia	Operation of kiosk for food and beverage

Summary as per management accounts of the jointly controlled entity, not adjusted for the percentage of ownership by the Group:

	Group	
	2017	2016
	RM	RM
Revenue (100%)	**150,550**	305,433
Net loss for the financial year (100%)	**300,263**	356,557
Total assets (100%)	**304,928**	464,311
Total liabilities (100%)	**1,778,550**	1,637,670

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
	RM	RM	RM	RM	RM	RM
Group						
Property, plant and equipment	-	-	**(2,016,862)**	(2,121,640)	**(2,016,862)**	(2,121,640)
Accruals	**2,055,946**	2,675,845	-	(12,360)	**2,055,946**	2,663,485
Other items	**88,411**	146,916	**(920,015)**	(702,033)	**(831,604)**	(555,117)
Deferred tax assets/(liabilities)	**2,144,357**	2,822,761	**(2,936,877)**	(2,836,033)	**(792,520)**	(13,272)
Set off	**(1,737,687)**	(2,545,097)	**1,737,687**	2,545,097	-	-
Net deferred tax assets/(liabilities)	**406,670**	277,664	**(1,199,190)**	(290,936)	**(792,520)**	(13,272)

Movement in temporary difference during the year

	At 1.1.2016	Recognised in profit or loss (Note 22)	Recognised in other comprehensive income (Note 23)	At 31.12.2016/ 1.1.2017	Recognised in profit or loss (Note 22)	Recognised in other comprehensive income (Note 23)	At 31.12.2017
	RM	RM	RM	RM	RM	RM	RM
Group							
Property, plant and equipment	(2,526,165)	404,627	(102)	(2,121,640)	104,624	154	**(2,016,862)**
Accruals	2,853,089	(189,774)	170	2,663,485	(613,110)	5,571	**2,055,946**
Other items	(197,078)	(357,931)	(108)	(555,117)	(274,536)	(1,951)	**(831,604)**
	129,846	(143,078)	(40)	(13,272)	(783,022)	3,774	**(792,520)**

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-current				
Non-trade				
Advances to subsidiaries	-	-	-	4,936,250
Current				
Trade				
Trade receivables	**46,469,434**	43,854,480	-	-
Non-trade				
Advances to subsidiaries	-	-	**104,030,886**	93,895,370
Other receivables	**2,739,830**	4,664,099	**54,455**	78,500
	2,739,830	4,664,099	**104,085,341**	93,973,870
	49,209,264	48,518,579	**104,085,341**	98,910,120

Trade receivables

Included in trade receivables of the Group is an amount of RM6,530,087 (2016: RM8,546,829) due from companies in which certain Directors have interests and held directorship.

10. TRADE AND OTHER RECEIVABLES | *continued*

Advances to subsidiaries

Advances to subsidiaries of RM98,750,759 (2016: RM84,193,123) are unsecured, subject to interest at BLR of 6.85% (2016: BLR of 6.6% - 6.85%) and receivable on demand. The remaining advances to subsidiaries bear interest at 2.5% (2016: 2.5% - 5%) per annum are receivable as follows:

	Year of Maturity	Total	Less than 1 year	1-2 years	2-5 years
2017		**RM**	**RM**	**RM**	**RM**
Agreement date					
22 October 2013	2018	1,831,261	1,831,261	-	-
5 December 2013	2018	3,448,866	3,448,866	-	-
		5,280,127	5,280,127	-	-
2016					
Agreement date					
22 October 2016	2016	4,670,710	4,670,710	-	-
22 October 2013	2018	2,029,057	9,682	2,019,375	-
5 December 2013	2018	3,071,682	154,807	2,916,875	-
22 December 2016	2016	4,867,048	4,867,048	-	-
		14,638,497	9,702,247	4,936,250	-

11. OTHER INVESTMENTS

	Group 2017	Group 2016
	RM	**RM**
Financial assets at fair value through profit or loss		
- held for trading: Shares (Quoted)	**856,800**	677,600
: Unit trusts (Quoted)	**14,791**	490,116
	871,591	1,167,716

12. INVENTORIES

	Group 2017 RM	Group 2016 RM
At cost		
Raw materials	**1,238,566**	1,309,397
Packaging materials	**3,377,391**	3,379,512
Finished goods	**10,594,111**	8,220,361
	15,210,068	12,909,270
Recognised in profit or loss:		
Inventories recognised as cost of sales	**112,041,593**	99,143,422

13. CASH AND CASH EQUIVALENTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deposits placed with licensed banks	**15,152,360**	28,111,105	**11,652,848**	24,459,715
Cash and bank balances	**47,632,912**	52,328,099	**8,040,051**	-
	62,785,272	80,439,204	**19,692,899**	24,459,715

Deposits placed with licensed banks of the Group and of the Company comprise placements in fixed income trusts of which RM5,113,184 (2016: RM9,438,595) and RM4,752,782 (2016: RM7,839,542) respectively are redeemable at call whereas RM10,039,176 (2016: RM18,672,510) and RM6,900,066 (2016: RM16,620,173) respectively are redeemable upon 7 days notice.

These deposits are subject to interest at rates ranging from 1.62% to 3.65% (2016: 2.33% to 3.58%) per annum.

14. SHARE CAPITAL

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares		RM	RM
Issued and fully paid:				
At beginning of financial year	**269,639,820**	209,677,545	**134,819,910**	104,838,773
Allotment of shares pursuant to				
- exercise of warrant	-	59,962,275	-	29,981,137
- bonus issue	**89,879,940**	-	**44,939,970**	-
At end of financial year	**359,519,760**	269,639,820	**179,759,880**	134,819,910

14. SHARE CAPITAL | *continued*

The issued and paid-up ordinary share capital of the Company was increased from RM134,819,910 to RM179,759,880 during the financial year through the bonus issue of 89,879,940 ordinary shares during the financial year. These new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

Warrants

On 28 July 2011, the Company issued 60,000,000 free Warrants 2011/2016 on the basis of one (1) free warrant for every two (2) existing ordinary shares of RM0.50 each held by the entitled shareholders of the Company. The warrants were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 August 2011.

The terms of the warrants are as follows:

(a) Exercise rights - each warrant carries the entitlement, at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price, subject to the adjustments in accordance with the provisions of the Deed Poll.

(b) Exercise price - the exercise price of the warrants has been fixed at RM1.40 per warrant, subject to such adjustment as may be allowed under the Deed Poll.

(c) Exercise period - the period commencing on and including the day of issuance of the warrants and expiring on the fifth anniversary of the issue date. Warrants not exercised during the exercise period will thereafter lapse and cease to be valid for any purpose.

(d) Transferability - the warrants will be transferable at board lot of 100 warrants as determined by Bursa Malaysia Securities Berhad.

(e) Ranking – the 60,000,000 new ordinary shares to be issued pursuant to the exercise of the warrants will, upon allotment and issue, rank pari passu in all respects with the then existing ordinary shares except that such new ordinary shares shall not be entitled for any dividend, rights, allotments and/or other distributions, the entitlement date of which precedes or falls on the date of allotment of the new shares, and will be subject to all the provisions of the Articles of Association of the Company.

The exercise price was adjusted from RM1.40 to RM0.93 and additional 29,216,659 warrants were issued arising from the adjustments from the bonus issue of shares on 22 December 2014. These additional warrants issued were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 23 December 2014.

In prior financial year, 59,962,275 of the Warrants 2011/2016 were converted to ordinary shares. The balance of the outstanding Warrants 2011/2016 of 359,865 has lapsed on 28 July 2016.

Movement in the warrants are as follows:

	Group and Company Number of warrants	
	2017	**2016**
At beginning of financial year	-	60,322,140
Exercised during the financial year	-	(59,962,275)
Expired during the financial year	-	(359,865)
At end of financial year	-	-

15. RESERVES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Non-distributable:				
Share premium	-	37,535,013	-	37,535,013
Translation reserve	**9,984,903**	14,983,699	-	-
	9,984,903	52,518,712	-	37,535,013
Distributable:				
Retained earnings	**119,055,091**	104,094,576	**3,683,662**	13,271,532
	129,039,994	156,613,288	**3,683,662**	50,806,545

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

	Group and Company	
	2017	2016
	RM	RM
At beginning of financial year	**37,535,013**	11,751,235
Warrant conversion	-	25,783,778
Bonus issue	**(37,535,013)**	-
At end of financial year	-	37,535,013

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currencies other than RM.

	Group	
	2017	2016
	RM	RM
At beginning of financial year	**14,983,699**	13,905,904
Foreign currency translation during the financial year	**(4,998,796)**	1,077,795
At end of financial year	**9,984,903**	14,983,699

16. LOANS AND BORROWINGS

	Group	
	2017	2016
	RM	RM
Term loans		
Classified as		
- non-current liabilities	**16,603,132**	20,225,634
- current liabilities	**7,760,460**	3,622,501
	24,363,592	23,848,135
Present value of term loans		
Analysed as follow:		
- not later than 1 year	**7,760,460**	3,622,501
- later than 1 year but not later than 5 years	**14,490,006**	14,490,007
- later than 5 years	**2,113,126**	5,735,627
	24,363,592	23,848,135

The Group's term loans which are secured over leasehold lands and buildings of subsidiaries, are subject to interest at rates ranging from 3.85% to 4.55% (2016: 3.65% to 4.88%) per annum (Notes 4 and 5).

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Trade				
Trade payables	**15,178,421**	13,324,395	**-**	-
Non-trade				
Other payables	**3,987,790**	3,903,218	**8,763**	226
Accruals	**13,967,864**	17,728,902	**45,570**	65,344
	17,955,654	21,632,120	**54,333**	65,570
	33,134,075	34,956,515	**54,333**	65,570

Trade payables

(i) Credit terms of trade payables are ranging from 30 to 60 (2016: 30 to 60) days.

(ii) Included in trade payables of the Group is an amount of RM3,804,618 (2016: RM3,097,180) due to companies in which certain Directors have interests.

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

18. REVENUE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Revenue				
- sale of goods	**196,240,105**	186,906,060	-	-
- rental of property	**42,000**	42,000	-	-
- dividends	-	-	**5,000,000**	5,000,000
	196,282,105	186,948,060	**5,000,000**	5,000,000

19. PROFIT BEFORE TAX

Profit before tax is arrived at:

		Group		Company	
		2017	2016	2017	2016
	Note	RM	RM	RM	RM
After charging:					
Auditors' remuneration					
- audit fee					
: Cheng & Co		**123,900**	106,500	**40,000**	30,000
: Oversea affiliate of Cheng & Co		**44,056**	49,191	-	-
: Other auditors		**59,100**	64,610	-	-
- non-audit fee					
: Cheng & Co		**2,500**	2,500	**2,500**	2,500
Amortisation of prepaid lease payments	6	**79,850**	82,931	-	-
Depreciation of investment properties	5	**53,060**	53,495	-	-
Depreciation of property, plant and equipment	4	**6,047,699**	6,425,901	-	-
Inventories written off		**818,835**	839,159	-	-
Personnel expenses (including key management personnel)					
- wages, salaries and others		**23,903,132**	23,747,559	**29,000**	12,500
- contributions to State Plans		**2,290,798**	2,583,974	-	-
Rental expenses in respect of					
- coldroom		**1,613,246**	1,014,292	-	-
- equipment		**126,529**	75,672	-	-
- hostel		**89,620**	46,860	-	-
Fair value through profit or loss					
- held for trading		-	464,800	-	-
Unrealised foreign exchange loss		**1,371,188**	-	**6,051,921**	-
Realised foreign exchange loss		**1,218,577**	-	-	-
Loss on disposal of property, plant and equipment		**87,433**	16,701	-	-
And crediting:					
Fair value through profit or loss					
- held for trading		**179,200**	-	-	-
Unrealised foreign exchange gain		-	1,355,575	-	1,763,329
Realised foreign exchange gain		-	567,529	**1,975,800**	4,392
Rental income from investment properties		**423,176**	434,986	-	-
Rental income from hostel		**99,150**	82,200	-	-

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

20. FINANCE INCOME

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Interest income from loans and receivables	**710,293**	983,100	**6,119,625**	5,350,498

21. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Term loans, secured	**1,084,777**	1,085,904	**-**	-
Other bank charges	**227,629**	409,817	**1,310**	213
	1,312,406	1,495,721	**1,310**	213
Recognised in profit or loss	**387,735**	434,486	**1,310**	213
Capitalised on qualifying assets:				
- property, plant and equipment	**924,671**	1,061,235	**-**	-
	1,312,406	1,495,721	**1,310**	213

22. INCOME TAX EXPENSE

Major components of income tax expense

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Current tax				
Malaysia - current	**5,597,160**	7,496,150	**1,018,726**	845,499
- (over)/under provision in prior years	**(1,022,975)**	(1,395,012)	**(3,367)**	9,056
Overseas - current	**1,480,393**	2,336,156	**-**	-
- (over)/under provision in prior years	**108,618**	(22,295)	**-**	-
	6,163,196	8,414,999	**1,015,359**	854,555
Deferred tax				
Origination and reversal of temporary differences	**686,706**	48,166	**-**	-
Underprovision in prior years	**99,921**	101,210	**-**	-
Effect of changes in tax rate	**(3,605)**	(6,298)	**-**	-
	783,022	143,078	**-**	-
Total income tax expense	**6,946,218**	8,558,077	**1,015,359**	854,555

22. INCOME TAX EXPENSE | *continued*

Reconciliation of effective tax expense

The numerical reconciliations between the tax expense and the product of accounting results multiplied by the applicable tax rates are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Net profit for the year	**29,106,471**	32,981,617	**4,558,086**	10,191,786
Income tax expense	**6,946,218**	8,558,077	**1,015,359**	854,555
Profit before tax	**36,052,689**	41,539,694	**5,573,445**	11,046,341
Income tax calculated using				
Malaysian tax rate of 24% (2016: 24%)	**8,652,646**	9,969,527	**1,337,627**	2,651,122
Effect of reduction in Malaysian statutory tax rate	**(232,223)**	-	**(222,938)**	-
Effect of tax rate in foreign jurisdiction	**(446,592)**	(538,392)	**-**	-
Non-deductible expenses	**2,543,279**	3,046,509	**2,113,773**	2,052,923
Non-taxable income	**(2,052,634)**	(1,935,105)	**(1,097,338)**	(1,562,418)
Tax exempt income	**82,414**	(1,105,858)	**(1,112,398)**	(2,296,128)
Tax incentives	**(167,241)**	-	**-**	-
Double deduction on qualifying expenditure	**(561,731)**	(26,578)	**-**	-
Effect of changes in tax rate	**(3,605)**	(6,298)	**-**	-
Other items	**(53,659)**	470,369	**-**	-
	7,760,654	9,874,174	**1,018,726**	845,499
(Over)/under provision:				
- current tax	**(914,357)**	(1,417,307)	**(3,367)**	9,056
- deferred tax	**99,921**	101,210	**-**	-
	6,946,218	8,558,077	**1,015,359**	854,555

For years of assessment 2017 and 2018, the Malaysian statutory tax rate is being reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment. The Group and Company have accounted for the reduction in the tax rate in the current financial year, based on the percentage of increase in chargeable income of the Company and its subsidiaries.

23. OTHER COMPREHENSIVE INCOME

	2017			2016		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
	RM	RM	RM	RM	RM	RM
Group						
Foreign currency translation differences for foreign operations - (loss)/gain arising during the financial year	**(5,002,570)**	**3,774**	**(4,998,796)**	1,077,835	(40)	1,077,795

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the year ended 31 December 2017 was based on the profit attributable to owners of the Company of RM29,106,471 (2016: RM32,981,617) and a weighted average number of ordinary shares outstanding of 359,519,760 (2016: 249,009,723).

Diluted earnings per ordinary share

As at 31 December 2017, there is no diluted earnings per ordinary share as the Company does not have any dilutive potential ordinary shares.

25. DIVIDENDS

	Sen per share	RM	Date of payment
Group and Company			
2017			
Interim 2017 ordinary - single tier	2.5	**6,740,999**	31 March 2017
2016			
Special 2016 ordinary - single tier	3.5	9,437,397	28 December 2016
Interim 2016 ordinary - single tier	2.5	5,759,355	22 April 2016
		15,196,752	

26. OPERATING SEGMENTS

The accounting policies of the reportable segments are as described in Note 3(r).

The Group's reportable segments are organised in accordance with the Group entities, which are the Group's strategic business units. The strategic business units offer products to different markets and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Managing Director (the chief operating decision maker) reviews Internal Management Reports at least on a quarterly basis.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total assets are used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provide regularly to the Managing Director. Hence no disclosure is made on segment liabilities.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, investment properties and intangible assets other than goodwill.

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

26. OPERATING SEGMENTS | *continued*

	Kawan Food Berhad	Kawan Food Manufacturing Sdn. Bhd.	KG Pastry Marketing Sdn. Bhd.
	RM	RM	RM
Group			
2017			
Segment (loss)/profit	(544,870)	32,752,542	35,064
Included in the measure of segment profit are:			
- revenue from external customers	-	85,898,461	42,000
- inter-company revenue	5,000,000	79,454,460	120,000
Not included in the measure of segment profit but provided to Managing Director:			
- depreciation and amortisation	-	(3,759,623)	(120,735)
- finance costs	(1,310)	(6,008,638)	(76)
- finance income	6,119,625	190,135	488,270
- income tax expense	(1,015,359)	(4,374,484)	(84,570)
Segment assets			
Included in the measure of segment assets are:			
- additions to non-current assets other than financial instruments and deferred tax assets	-	35,720,676	-
2016			
Segment profit	5,696,056	34,086,926	49,671
Included in the measure of segment profit are:			
- revenue from external customers	-	78,485,094	41,879
- inter-company revenue	5,000,000	75,774,057	120,121
Not included in the measure of segment profit but provided to Managing Director:			
- depreciation and amortisation	-	(4,041,472)	(138,969)
- finance costs	(213)	(4,370,301)	(411)
- finance income	5,350,498	67,255	467,925
- income tax expense	(854,555)	(5,336,370)	(135,421)
Segment assets			
Included in the measure of segment assets are:			
- additions to non-current assets other than financial instruments and deferred tax assets	-	56,384,510	-

Kawan Food Confectionery Sdn. Bhd.	Kawan Food (Hong Kong) Limited	Kawan Food (Nantong) Co., Ltd	Total
RM	RM	RM	RM
30,931	6,771,852	4,490,599	43,536,118
-	101,924,012	8,417,632	196,282,105
-	-	28,523,910	113,098,370
-	(3,572)	(2,296,679)	(6,180,609)
(95)	(160,808)	(307,210)	(6,478,137)
-	-	-	6,798,030
(7,914)	(1,008,162)	(585,777)	(7,076,266)
-	5,146	738,277	36,464,099
20,638	7,752,729	5,031,423	52,637,443
-	101,815,718	6,605,369	186,948,060
-	-	29,513,373	110,407,551
-	(5,059)	(2,376,827)	(6,562,327)
(26)	(299,821)	(634,852)	(5,305,624)
-	-	-	5,885,678
(7,916)	(1,341,469)	(738,312)	(8,414,043)
-	-	173,016	56,557,526

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

26. OPERATING SEGMENTS | *continued*

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

	Group 2017	Group 2016
	RM	RM
Profit or loss		
Total profit or loss for reportable segments	**43,536,118**	52,637,443
Elimination of inter-segment profits	**(1,625,378)**	(5,084,036)
Depreciation and amortisation	**(6,180,609)**	(6,562,327)
Finance income	**710,293**	983,100
Finance costs	**(387,735)**	(434,486)
Consolidated profit before tax	**36,052,689**	41,539,694

	External revenue	Depreciation and amortisation	Finance costs	Finance income	Segment assets
	RM	RM	RM	RM	RM
2017					
Total reportable segments	309,380,475	(6,180,609)	(6,478,330)	6,798,030	580,552,893
Elimination of inter-segment transaction or balances	(113,098,370)	-	6,090,595	(6,087,737)	(212,595,032)
Consolidated total	196,282,105	(6,180,609)	(387,735)	710,293	367,957,861
2016					
Total reportable segments	297,355,611	(6,562,327)	(5,305,624)	5,885,678	564,378,773
Elimination of inter-segment transaction or balances	(110,407,551)	-	4,871,138	(4,902,578)	(212,402,316)
Consolidated total	186,948,060	(6,562,327)	(434,486)	983,100	351,976,457

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

26. OPERATING SEGMENTS | *continued*

Geographical segments

The manufacturing of frozen food products is carried out solely in Malaysia and China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers while segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments (including investments in subsidiaries and jointly controlled entity) and deferred tax assets.

Geographical information

	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
	RM	RM	RM	RM
Malaysia	**76,332,454**	**207,493,977**	70,230,946	175,842,329
Rest of Asia	**34,276,754**	**28,969,113**	29,995,877	31,722,754
Europe	**16,278,413**	-	14,970,406	-
North America	**58,722,735**	-	59,515,175	-
Oceania	**10,160,675**	-	11,554,011	-
Africa	**511,074**	-	681,645	-
Consolidated total	**196,282,105**	**236,463,090**	186,948,060	207,565,083

Major customers

The Group has one (2016: one) major customer contributing revenue greater than 10% of the Group's total revenue.

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R");

(ii) Fair value through profit or loss ("FVTPL")

- held for trading ("HFT"); and

(iii) Financial liabilities measured at amortised cost ("FL").

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

27. FINANCIAL INSTRUMENTS | *continued*

(a) Categories of financial instruments | *continued*

	Carrying amount	L&R/ (FL)	FVTPL -HFT
	RM	RM	RM
2017			
Financial assets			
Group			
Other investments	871,591	-	871,591
Trade and other receivables	49,209,264	49,209,264	-
Cash and cash equivalents	62,785,272	62,785,272	-
	112,866,127	111,994,536	871,591
Company			
Trade and other receivables	104,085,341	104,085,341	-
Cash and cash equivalents	19,692,899	19,692,899	-
	123,778,240	123,778,240	-
Financial liabilities			
Group			
Loans and borrowings	(24,363,592)	(24,363,592)	-
Trade and other payables	(33,134,075)	(33,134,075)	-
	(57,497,667)	(57,497,667)	-
Company			
Trade and other payables	(54,333)	(54,333)	-
2016			
Financial assets			
Group			
Other investments	1,167,716	-	1,167,716
Trade and other receivables	48,518,579	48,518,579	-
Cash and cash equivalents	80,439,204	80,439,204	-
	130,125,499	128,957,783	1,167,716
Company			
Trade and other receivables	98,910,120	98,910,120	-
Cash and cash equivalents	24,459,715	24,459,715	-
	123,369,835	123,369,835	-
Financial liabilities			
Group			
Loans and borrowings	(23,848,135)	(23,848,135)	-
Trade and other payables	(34,956,515)	(34,956,515)	-
	(58,804,650)	(58,804,650)	-
Company			
Trade and other payables	(65,570)	(65,570)	-

27. FINANCIAL INSTRUMENTS | *continued*

(b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - currency risk
  - interest rate risk
  - price risk

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

(i) Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amount in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

27. FINANCIAL INSTRUMENTS | *continued*

(b) Finance risk management | *continued*

Credit risk | *continued*

(i) Receivables | *continued*

Exposure to credit risk, credit quality and collateral | *continued*

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was as follows:

	Group	
	2017	**2016**
	RM	**RM**
Malaysia	**15,869,935**	15,338,688
North America	**13,630,888**	11,180,616
Europe	**5,745,199**	5,193,780
Rest of Asia	**7,252,727**	7,929,714
Oceania	**3,888,094**	3,959,669
Africa	**82,591**	252,013
	46,469,434	43,854,480

At the end of the reporting period, the Group has no significant concentration of credit risk except for the amount due from one customer (2016: one customer) representing 10% (2016: 10%) of total trade receivables of the Group. The Group do not anticipate the carrying amount recorded at the end of each reporting period to be significantly different from the value that would eventually be received.

Impairment losses

The ageing of trade receivables as at the end of the reporting period was as follows:

	Gross	Individual impairment	Net
	RM	**RM**	**RM**
Group			
2017			
No past due	34,414,573	-	34,414,573
1 - 30 days past due	5,206,054	-	5,206,054
31 - 90 days past due	2,671,998	-	2,671,998
More than 90 days past due	4,176,809	-	4,176,809
	46,469,434	-	46,469,434
2016			
No past due	29,605,879	-	29,605,879
1 - 30 days past due	5,926,358	-	5,926,358
31 - 90 days past due	4,478,744	-	4,478,744
More than 90 days past due	3,843,499	-	3,843,499
	43,854,480	-	43,854,480

27. FINANCIAL INSTRUMENTS | *continued*

(b) Financial risk management | *continued*

Credit risk | *continued*

(i) Receivables | *continued*

Impairment losses | *continued*

For balances which are past due but not impaired, management is monitoring individual balances closely and is confident of repayment based on subsequent collections after year end and past repayment trends of these customers.

(ii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk of the Company amounts to RM24,363,592 (2016: RM23,848,135) representing the outstanding loan amount of the subsidiaries at the end of the reporting period.

At the end of the reporting period, there was no indication that the subsidiaries would default on repayment. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

(iii) Inter company balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amount in the statements of financial position.

Advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries are not recoverable.

(iv) Cash and cash equivalents

As at the end of the reporting period, the Group has bank balances and bank deposits with licensed banks.

The Group minimises the credit risk by dealing exclusively with reputable financial institutions of high credit rating.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

27. FINANCIAL INSTRUMENTS | *continued*

(b) Financial risk management | *continued*

Liquidity risk | *continued*

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rate	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	RM	%	RM	RM	RM	RM	RM
2017							
Group							
Secured term loans	24,363,592	3.85%-4.55%	26,821,933	8,556,499	4,263,199	11,858,998	2,143,237
Trade and other payables	33,134,075		33,134,075	33,134,075	-	-	-
	57,497,667		59,956,008	41,690,574	4,263,199	11,858,998	2,143,237
Company							
Trade and other payables	54,333		54,333	54,333	-	-	-
2016							
Group							
Secured term loans	23,848,135	3.65%-4.88%	27,257,856	4,573,882	4,418,541	12,325,024	5,940,409
Trade and other payables	34,956,515		34,956,515	34,956,515	-	-	-
	58,804,650		62,214,371	39,530,397	4,418,541	12,325,024	5,940,409
Company							
Trade and other payables	65,570		65,570	65,570	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro Dollar ("EURO") and Renminbi ("RMB").

Risk management objectives, policies and processes for managing the risk

The Group manages its foreign currency exposure by matching as far as possible receipts and payments in each individual currency. The Group's exposure to foreign currency risk is monitored on an ongoing basis. The Group enters into forward exchange contracts in the normal course of business, where appropriate, to manage its exposure against foreign currency fluctuations on sales and purchases transactions denominated in foreign currencies.

27. FINANCIAL INSTRUMENTS | *continued*

(b) Finance risk management | *continued*

Market risk | *continued*

(i) Currency risk | *continued*

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amount at the end of the reporting period was:

Group	Denominated in USD RM	SGD RM	EURO RM	RMB RM
2017				
Trade and other receivables	3,431,134	(158,563)	-	-
Cash and cash equivalents	20,468,155	519,376	1,138,414	107,150
Trade and other payables	(995,270)	-	-	-
	22,904,019	360,813	1,138,414	107,150
2016				
Trade and other receivables	1,209,053	1,109,357	-	2,974,756
Cash and cash equivalents	23,223,077	2,810,329	347,489	5,302,754
Trade and other payables	(1,054,858)	-	-	-
	23,377,272	3,919,686	347,489	8,277,510

Company (Denominated in USD)	2017 RM	2016 RM
Advances to a subsidiary	**5,280,127**	14,638,497
Cash and cash equivalents	**8,040,051**	-
	13,320,178	14,638,497

27. FINANCIAL INSTRUMENTS | *continued*

(b) Financial risk management | *continued*

<u>Market risk</u> | *continued*

(i) Currency risk | *continued*

Currency risk sensitivity analysis

A 10% strengthening of the following currencies against the RM at the end of the reporting period would have increased/(decreased) equity and post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity	Profit	Equity	Profit
	RM	RM	RM	RM
2017				
USD	7,360,846	1,740,705	1,012,334	1,012,334
SGD	27,422	27,422	-	-
EURO	86,519	86,519	-	-
RMB	550,162	8,143	-	-
	8,024,949	1,862,789	1,012,334	1,012,334
2016				
USD	7,433,758	1,776,673	1,112,526	1,112,526
SGD	297,896	297,896	-	-
EURO	26,409	26,409	-	-
RMB	895,473	629,091	-	-
	8,653,536	2,730,069	1,112,526	1,112,526

A 10% weakening of the above currencies against the RM at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of changes in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's exposure to interest rate risk mainly arises from its short term funds, fixed deposits and borrowings and is managed through effective negotiation with financial institutions for best available rates.

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

27. FINANCIAL INSTRUMENTS | *continued*

(b) Financial risk management | *continued*

Market risk | *continued*

(ii) Interest rate risk | *continued*

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amount as at the end of the reporting period were:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Fixed rate instruments				
Fianacial assets	-	-	**5,280,127**	14,638,497
Financial liabilities	**(4,137,959)**	-	-	-
Floating rate instruments				
Financial assets	**15,152,360**	28,111,105	**110,403,607**	108,652,838
Financial liabilities	**(20,225,633)**	(23,848,135)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

As changes in interest rates at the end of the reporting period would not have a significant effect on the Group's profit and equity, sensitivity analysis is not presented.

(iii) Price risk

Price risk is the risk that the fair value or future cash flow of the financial statements will fluctuate because of changes in market prices (other than currency or interest rate).

The Group and the Company is exposed to equity securities price risk arising from the investments held by the Group and the Company which are classified on the statements of financial position as fair value to profit or loss/held for trading. These securities are listed in Malaysia. The Group and the Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

A 5% (2016: 5%) decreased in share price at the end of the reporting period would have decreased profit by RM42,840 (2016: RM33,880) for quoted investments classified as fair value through profit or loss. A 5% (2016: 5%) increased in share price would have had equal but opposite effect on equity and profit respectively.

27. FINANCIAL INSTRUMENTS | *continued*

(c) Fair values of financial instruments

(i) Financial assets and liabilities measured at fair value

	Level 1	Level 2	Level 3
	RM	RM	RM
Group			
2017			
Financial assets			
Unit trusts (Quoted)	14,791	-	-
Shares (Quoted)	856,800	-	-
2016			
Financial assets			
Unit trusts (Quoted)	490,116	-	-
Shares (Quoted)	677,600	-	-

The fair values of these financial assets that are quoted in an active market are determined by reference to the quoted closing bid price at the end of the reporting period.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount are not a reasonable approximation of fair value

The fair values of other financial assets and liabilities, together with the carrying amount shown in the statements of financial position, are as follows:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM	RM	RM	RM
Company				
Advances to subsidiaries				
(fixed rate)	5,280,127	3,783,347	14,638,497	12,901,590

The fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at reporting date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amount are a reasonable approximation of fair value

The Group's financial assets and liabilities include cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings.

The carrying amount of these financial assets and liabilities are reasonable approximation of fair values, because these are short term in nature or that they are floating rate instruments that are repriced to market interest rates on or near to the end of the reporting period.

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio that complies with regulatory requirements.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by equity attributable to owners of the Company. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and cash equivalents.

The debt-to-equity ratio of the Group at the end of the reporting period is as follows:

	Group	
	2017	**2016**
	RM	**RM**
Loans and borrowings	**24,363,592**	23,848,135
Trade and other payables	**33,134,075**	34,956,515
	57,497,667	58,804,650
Less: Cash and cash equivalents	**(62,785,272)**	(80,439,204)
Net debt	**(5,287,605)**	(21,634,554)
Equity attributable to owners of the Company	**308,799,874**	291,433,198
Debt-to-equity ratio	*	*

** not meaningful*

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group and the Company is not subject to any externally imposed capital requirement.

29. CAPITAL COMMITMENTS

	Group	
	2017	**2016**
	RM	**RM**
<u>Capital expenditure commitments</u>		
Property, plant and equipment		
Contracted but not provided for:		
Within one year	**21,974,440**	25,981,106

30. DIRECTORS' REMUNERATION

The aggregate amounts of remuneration received and receivable by the Directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Executive Directors				
Fees	**301,000**	252,000	**301,000**	252,000
Salaries and bonuses	**2,848,619**	2,613,768	-	-
Defined contribution benefits	**291,221**	270,520	-	-
Benefits-in-kind	**79,708**	68,150	-	-
Meeting allowances (note)	**29,000**	12,500	**29,000**	12,500
	3,549,548	3,216,938	**330,000**	264,500
Non-Executive Directors				
Fees	**466,000**	352,000	**466,000**	352,000
Meeting allowances (note)	**67,000**	29,500	**67,000**	29,500
	533,000	381,500	**533,000**	381,500
	4,082,548	3,598,438	**863,000**	646,000

The number of Directors of the Company whose income falls within the following bands are:

	Executive Directors		Non-Executive Directors	
	2017	2016	2017	2016
RM150,000 and below	-	-	**6**	7
RM500,001 to RM1,000,000	**3**	3	-	-
RM1,000,001 and above	**1**	1	-	-
	4	4	**6**	7

Note:
Meeting allowances vary from one Director to another, depending on the number of committees they sit on and the number of meetings attended during the year.

31. RELATED PARTIES

Identity of related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) has control or joint control over the Company;
(ii) has significant influence over the Company; or
(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third party and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the Company).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

The Group has related party relationship with its subsidiaries, jointly controlled entity, companies which certain directors have interest and key management personnel.

Notes to the Financial Statements *For the financial year ended 31 December 2017* | *continued*

31. RELATED PARTIES | *continued*

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 17.

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Subsidiaries				
Interest income on loans	-	-	**5,691,737**	4,497,410
Jointly controlled entity				
Sale of goods	**38,148**	46,132	-	-
Other related party transaction				
Companies in which Directors of the Company have interest:				
Sale of goods	**16,864,043**	18,729,044	-	-
Companies in which persons related to Directors of the Company have interest:				
Sale of goods	**2,573,507**	861,745	-	-
Purchase of goods	**16,691,861**	12,924,343	-	-
Plaster ceiling and partition works	-	224,000	-	-
Provision of transportation services	-	583	-	-
Key management personnel				
Executive Directors:				
- Fees	**301,000**	252,000	**301,000**	252,000
- Remuneration	**2,848,619**	2,613,768	-	-
- Defined contribution plans	**291,221**	270,520	-	-
- Benefits-in-kind	**79,708**	68,150	-	-
- Meeting allowances	**29,000**	12,500	**29,000**	12,500
	3,549,548	3,216,938	**330,000**	264,500
Other key management personnel:				
- Short term employee benefits	**4,157,125**	4,238,533	-	-
- Defined contribution plans	**336,771**	282,017	-	-
- Benefits-in-kind	**16,400**	16,400	-	-
	4,510,296	4,536,950	-	-
Total compensation paid to key management personnel	**8,059,844**	7,753,888	**330,000**	264,500

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

32. CONTINGENCIES

	Company	
	2017	2016
	RM	RM
Guarantees		
Corporate guarantees given by the Company to licensed banks for banking facilities granted to subsidiaries	**95,850,000**	93,245,000

33. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

Declaration of interim single tier dividend

On 1 March 2018, the Company declared an interim single tier dividend of 2.5 sen per ordinary share in respect of the financial year ending 31 December 2018.

Proposed establishment of an Employees' Share Option Scheme ('ESOS')

On 30 March 2018, the Company proposed an ESOS of up to 15% of the issued share capital (excluding treasury shares) of the Company at any one time during the duration of the Scheme, for the eligible employees and Executive Directors of Kawan Food Berhad and its subsidiaries.

The ESOS will be for a period of 5 years and may be extended for up to another 5 years immediately from the expiry of the first 5 years, but will not in aggregate exceed 10 years from the Effective Date. The ESOS is expected to be implemented by 2018.

The proposed ESOS is subject to the approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional new shares to be issued, the shareholders of the Company at a general meeting to be convened, and any other relevant authorities (where applicable). The proposed ESOS is not conditional upon any other corporate proposal of the Company.

List of Properties

Location / Title details		Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Held under H.S. (D) No. 135852, PT129351, Mukim dan Daerah Klang, Negeri Selangor, with address at Lot 96, Section 4, Phase 2C, Selangor Halal-Hub, Pulau Indah, Selangor Darul Ehsan	*	Under construction	Leasehold interest for a term of 99 years expiring on 24 February 2097	N/A	12 October 2011	63,079.9 sq. metres	N/A	13,769,026
Held under H.S. (D) No. 98527, Bandar Shah Alam, Daerah Petaling, Negeri Selangor, with address at Lot 20, Jalan Pengapit 15/19, 40200 Shah Alam, Selangor Darul Ehsan	*	A double storey factory for manufacturing activities with cold storage facilities, and a double storey office attached	Leasehold interest for a term of 99 years expiring on 6 August 2074	38 years	28 May 2004	7,337.24 sq. metres/ 6,417.91 sq. metres	23 May 2007	5,304,407
Held under PTD No. 59709 H.S. (D) 207237 Mukim of Tebrau, Negeri Johor with address at No.52, Jalan Mutiara Emas 5/12, Taman Mount Austin, 81100 Johor Bahru, Johor Darul Takzim	**	A one and a half storey terrace factory with cold storage facilities, and an office annexed	Freehold	19 years	31 May 2005	289.86 sq. metres/ 254 sq. metres	2 November 1998	288,634
Held under H.S. (D) 98490, P.T. No. 617, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 4, Jalan Lada Hitam 16/12A, 40000 Shah Alam, Selangor Darul Ehsan	*	A single storey factory with an office annexed	Leasehold interest for a term of 99 years expiring on 20 July 2094	28 years	28 June 1999	4,484 sq. metres/ 3,149.43 sq. metres	24 September 1990	1,712,154

List of Properties | *continued*

Location / Title details		Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Held under H.S. (D) 98500 for P.T. No. 714, Seksyen 16, Bandar Shah Alam, Negeri Selangor, with address at Lot 2A, Persiaran Kemajuan, Seksyen 16, 40000 Shah Alam, Selangor Darul Ehsan	*	A single storey factory with cold storage facilities; and a single storey office attached	Leasehold interest for a term of 99 years expiring on 20 July 2094	28 years	25 May 2005	21,796 sq. metres/ 3,584.91 sq. metres	7 May 1990	6,850,741
Parcel No. 2F-41C with address at 41C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	18 years	16 May 2003	67.85 sq. metres	27 March 2003	45,981
Parcel No. 2B-41D with address at 41D-2B, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56067 PT 59174 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	18 years	29 July 2003	67.85 sq. metres	27 March 2003	42,778

List of Properties | *continued*

Location / Title details		Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Parcel No. 2F-31C with address at 31C-2F, Jalan Datuk Dagang 31, Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56062 PT 59169 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	18 years	16 May 2003	67.85 sq. metres	27 March 2003	45,981
Parcel No. 2B-21D with address at 21D-2B, Jalan Datuk Dagang, 31 Taman Sentosa, 41200 Klang, Selangor Darul Ehsan Held under Master Title H.S. (D) 56057 PT 59164 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	18 years	29 July 2003	67.85 sq. metres	27 March 2003	42,778
Shop Apartment Parcel No. B3/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No. P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	17 years	21 February 2001	69.52 sq. metres	26 October 2004	40,647

List of Properties | *continued*

Location / Title details	Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Shop Apartment Parcel No. B4/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No.P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan *	Shop apartment occupied as staff hostel	Freehold	17 years	21 February 2001	69.52 sq. metres	26 October 2004	40,647
Shop Apartment Parcel No. D4/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan *	Shop apartment occupied as staff hostel	Freehold	17 years	21 February 2001	69.52 sq. metres	26 October 2004	40,647
Shop Apartment Parcel No. D3/3F with address at 55-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67207 Lot No. P.T. No. 65652 in Mukim, Klang, District of Klang, Selangor Darul Ehsan *	Shop apartment occupied as staff hostel	Freehold	17 years	21 February 2001	69.52 sq. metres	26 October 2004	40,647

List of Properties | *continued*

Location / Title details		Description/ Existing use	Tenure of Lease	Approx. age of building	Date of Acquisition	Approx. Land Area/ Built-up Area	Issuance of Certificate of Fitness	Net Book Value RM
Shop Apartment Parcel No. D2/3F with address at 57-3A, Jalan Bendahara 13, Taman Sri Sentosa, Jaya Business Park, 41200 Klang, Selangor Darul Ehsan Held under Strata Title H.S. (D) 67208 Lot No.P.T. No. 65663 in Mukim, Klang, District of Klang, Selangor Darul Ehsan	*	Shop apartment occupied as staff hostel	Freehold	17 years	21 February 2001	69.52 sq. metres	26 October 2004	40,647
Industrial Land at 13, Kexing Road North, Nantong Economic & Technology Development Area ("NETDA"), China Held under Lot No. 03-10-(001)-338, Land Registry No. 35.45-92.10	***	A double storey factory for manufacturing activities with cold storage facilities; and a double storey office attached	Leasehold interest for a term of 50 years expiring on 25 December 2056	8 years	26 December 2006	40,773.90 sq. metres/ 16,000 sq. metres	N/A	19,050,688
Apartment at Unit 306, Building No. 11, 107 Xinkai Road, NETDA, Jiangsu Province, 226009 China	***	Apartment	Leasehold interest for a term of 70 years expiring on 19 August 2074	11 years	19 January 2007	223.44 sq. metres	N/A	443,827
Apartment at Unit 2904 Building No. 9, Zhongnan Century City, Chongchuan District, Nantong, Jiangsu Province, 226009 China	***	Apartment	Leasehold interest for a term of 75 years expiring on 1 April 2075	8 years	30 December 2006	179.42 sq. metres	N/A	538,363

* *Held under Kawan Food Manufacturing Sdn Bhd*

** *Held under KG Pastry Marketing Sdn Bhd*

*** *Held under Kawan Food (Nantong) Co., Ltd.*

Analysis on Shareholdings *as per record of depositors as at 30 March 2018*

Issued Share Capital	: RM179,759,880 comprising 359,519,760 odinary shares
Class of Shares	: Ordinary Shares
Voting Rights	: One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Less than 100	154	9.40	3,778	0.00
100 to 1,000	689	42.04	236,077	0.07
1,001 to 10,000	434	26.48	1,792,847	0.50
10,001 to 100,000	209	12.75	7,662,457	2.13
100,001 to less than 5% of issued shares	150	9.15	180,171,019	50.11
5% and above of issued shares	3	0.18	169,653,582	47.19
Total	**1,639**	**100.00**	**359,519,760**	**100.00**

SUBSTANTIAL SHAREHOLDERS

as per Register of Substantial Shareholders as at 30 March 2018

	Direct		Indirect	
Name of Substantial Shareholders	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	87,724,248	24.40	-	-
2. Maybank Securities Nominees (Asing) Sdn Bhd *Exempt AN for Volaw Trustee Limited (Narvee Foundation)*	67,782,400	18.85	-	-
3. Gan Thiam Hock	21,333,600	5.93	-	-
4. Nareshchandra Gordhandas Nagrecha	-	-	67,782,400*	18.85

** Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of his substantial shareholdings in Narvee Foundation.*

STATEMENT OF DIRECTORS' SHAREHOLDINGS

as per Register of Directors' shareholdings as at 30 March 2018

	Direct		Indirect	
Name of Directors	No. of Shares	%	No. of Shares	%
1. Gan Thiam Chai	87,724,248	24.40	-	-
2. Kwan Sok Kay	16,544,972	4.60	-	-
3. Gan Thiam Hock	21,333,600	5.93	-	-
4. Lim Peng @ Lim Pang Tun	450,000	0.13	-	-
5. Chen Seng Chong	635,000	0.18	-	-
6. Nareshchandra Gordhandas Nagrecha	-	-	67,782,400*	18.85
7. Timothy Tan Heng Han	135,000	0.04	-	-
8. Lim Hun Soon @ David Lim	7,460,028	2.07	-	-
9. Abdul Razak Bin Shakor	-	-	-	-
10. Dr Nik Ismail Bin Nik Daud	-	-	-	-

** Deemed interested pursuant to Section 8 of the Companies Act, 2016 by virtue of his substantial shareholdings in Narvee Foundation.*

Analysis on Shareholdings *as per record of depositors as at 30 March 2018* | *continued*

LIST OF THIRTY (30) LARGEST SHAREHOLDERS *as at 30 March 2018*

No.	Name of Shareholders	No. of Shares	%
1.	Gan Thiam Chai	80,537,582	22.40
2.	Maybank Securities Nominees (Asing) Sdn Bhd *Exempt AN for Volaw Trustee Limited (Narvee Foundation)*	67,782,400	18.85
3.	Gan Thiam Hock	21,333,600	5.93
4.	Kumpulan Wang Persaraan (Diperbadankan)	15,855,833	4.41
5.	Kwan Sok Kay	12,983,972	3.61
6.	Wu, Meng-Che	9,813,333	2.73
7.	Amanahraya Trustees Berhad *Public Strategic Smallcap Fund*	7,405,366	2.06
8.	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Gan Thiam Chai (PB)*	7,186,666	2.00
9.	Lim Hun Soon @ David Lim	7,140,028	1.99
10.	Niels John Madsen	6,121,400	1.70
11.	Kong Poh Yin	5,456,500	1.52
12.	Permodalan Nasional Berhad	5,164,533	1.44
13.	Amanahraya Trustees Berhad *PB Smallcap Growth Fund*	4,562,266	1.27
14.	Amanahraya Trustees Berhad *PB Growth Fund*	4,541,066	1.26
15.	Gan Ka Bien	3,972,849	1.11
16.	HLIB Nominees (Asing) Sdn Bhd *Hong Leong Bank Bhd for Wu Chung Chen*	3,771,000	1.05
17.	Kwan Sok Kay	3,561,000	0.99
18.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	3,434,400	0.96
19.	Tokio Marine Life Insurance Malaysia Bhd *As Beneficial Owner (PF)*	3,333,333	0.93
20.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad for RHB Capital Fund (200189)*	2,884,266	0.80
21.	HLIB Nominees (Asing) Sdn Bhd *Hong Leong Bank Bhd for Chen Tsai Tien*	2,658,766	0.74
22.	Amanahraya Trustees Berhad *Amanah Saham Didik*	2,645,066	0.74
23.	Amanahraya Trustees Berhad *Amanah Saham Gemilang for Amanah Saham Persaraan*	2,629,466	0.73
24.	HLIB Nominees (Asing) Sdn Bhd *Hong Leong Bank Bhd for Chiang Peter*	2,604,000	0.72
25.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for RHB Kidsave Trust*	2,238,466	0.62
26.	Maybank Securities Nominees (Asing) Sdn Bhd *Pledged Securities Account for Shah Kamal Kant Zaverchand*	2,168,382	0.60
27.	Lam Kai Chen	1,960,000	0.55
28.	Amanahraya Trustees Berhad *Public Islamic Emerging Opportunities Fund*	1,871,200	0.52
29.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for RHB Smart Treasure Fund*	1,856,333	0.52
30.	Amanahraya Trustees Berhad *Public Islamic Opportunities Fund*	1,839,333	0.51
	Total	**299,312,405**	**83.25**

FOURTEENTH ANNUAL GENERAL MEETING Form of Proxy

KaWan
KAWAN FOOD BERHAD

I/We ....

NRIC No./Company No. .... of ....

being a member / members of **KAWAN FOOD BERHAD** hereby appoint the *Chairman of the Meeting or

.... (NRIC No. ....)

of ....

failing whom .... (NRIC No. ....)

of ....

as my/our proxy(ies) to vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at Topas Room, The Saujana Hotel, Jalan Lapangan Terbang SAAS, 40150 Selangor Darul Ehsan, Malaysia on Thursday, 31 May 2018 at 10.00 a.m. and at any adjournment thereof for/against the resolutions to be proposed thereat.

*Please delete the words "Chairman of the Meeting" if you wish to appoint other person(s) to be your proxy/proxies.

	RESOLUTIONS		FOR	AGAINST
1.	To approve the Directors' Fees and benefits payable to the Directors of the Company of up to RM1 million for the financial year ending 31 December 2018	*Ordinary Resolution 1*		
2.	Re-election of Mr Gan Thiam Hock as Director	*Ordinary Resolution 2*		
3.	Re-election of Mr Lim Peng @ Lim Pang Tun as Director	*Ordinary Resolution 3*		
4.	Re-appointment of Messrs Cheng & Co as Auditors of the Company and to authorised the Directors to fix their remuneration	*Ordinary Resolution 4*		
5.	Retention of Mr Lim Peng@Lim Pang Tun as Independent Non-Executive Director	*Ordinary Resolution 5*		
6.	Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with Shana Foods Limited and Rubicon Food Products Limited	*Ordinary Resolution 6*		
7.	Proposed Renewal of Shareholders' Mandate for the Recurrent Related Party Transactions of a Revenue or Trading Nature with K.C. Belight Food Industry (M) Sdn Bhd, Food Valley Sdn Bhd, Hot & Roll Sdn Bhd and MH Delight Sdn Bhd	*Ordinary Resolution 7*		
8.	Authority under Sections 76 of the Companies Act 2016 for the Directors to allot and issue shares	*Ordinary Resolution 8*		

Please indicate with "X"in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his (her) discretion.

Signature / Common Seal of Shareholder(s)

Date

Contact No.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

Proxy 1	%
Proxy 2	%
Total	100%

Notes :-

1. A member entitled to attend and vote at the meeting is entitled to appoint more than one (1) proxy to attend, participate, speak and vote in his/her stead. A proxy may but not need be a member of the Company.
2. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Symphony Share Registrars Sdn. Bhd. at Level 6, Symphony House Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or any adjourment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
5. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of any general meeting will be put to vote by poll.
6. If the appointor is a corporation, the instrument appointing a proxy must be executed under its Common Seal or under the hand of its attorney.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 22 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 30 April 2018.

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Affix Stamp

THE SHARE REGISTRAR:

KAWAN Food Berhad 640445-V
c/o Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

please fold here


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KAWAN Food Berhad

640445-V (Incorporated in Malaysia)

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